MAY 20, 1955 20 CENTS

U.S. News & World Report

United States News ® World Report ®

YOUR BOY'S CHANCE OF BEING DRAFTED

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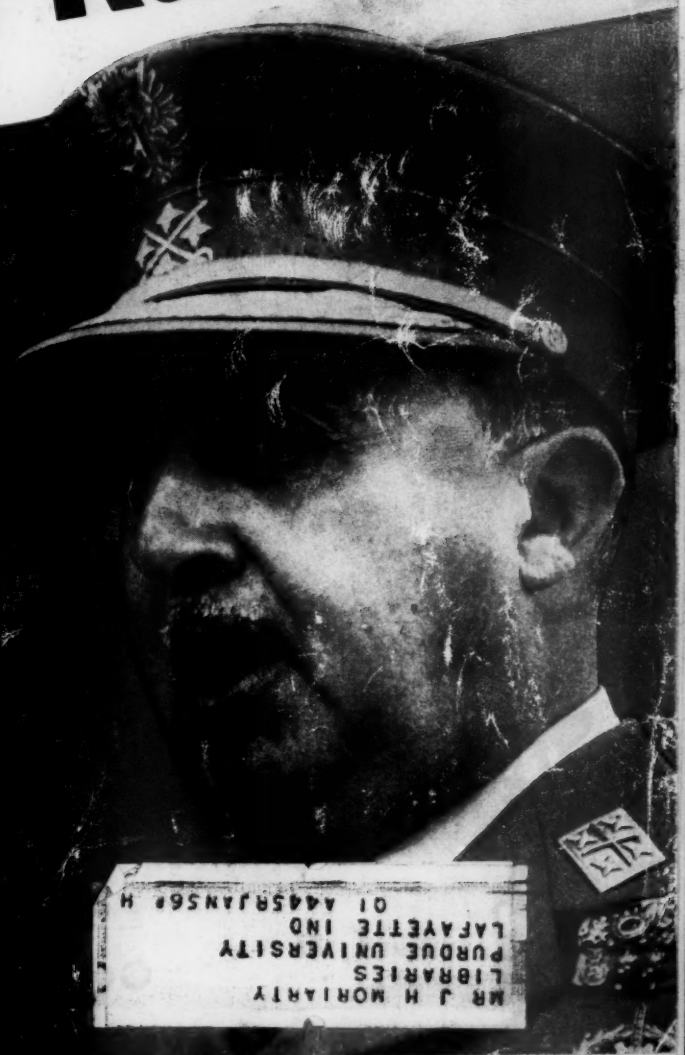
"Why Fear Russia?"

asks FRANCO

EXCLUSIVE INTERVIEW



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Another story with a happy ending!

In days of old, every story had a happy ending. The dragon was slain, the brave knight rescued the fair maiden—and everyone lived happily ever after!

Today, there's a happy ending to more and more *real-life* stories in which illness is the dragon. For your doctor, armed with the sword of knowledge and the shield of advancing science, is winning battle after battle against disease. Because of his skill, we live longer. More of our children are born to live and grow into healthy maturity.

Your doctor is not alone in the struggle. At his shoulder stand thousands of other scientific workers who forge new weapons to aid in the battle for better health. Among his valued allies is Cyanamid's Lederle Laboratories Division, source of such life-saving and health-giving developments as Aureomycin* and Achromycin*, improved vitamin formulations and many other important pharmaceuticals. For Cyanamid, through Lederle, is dedicated to "Helping Your Doctor Help You Live."

**Aureomycin is the trade-mark for our Chlortetracycline and Achromycin is the registered trade-mark for our Tetracycline.*

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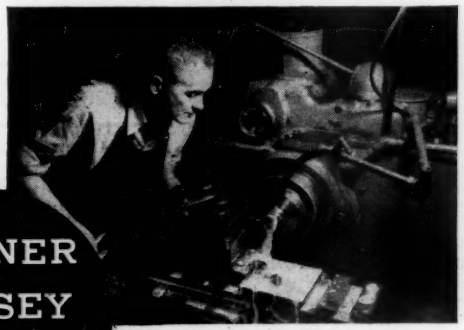
Security — Opportunity

IS this great nation getting old—showing the fears and weaknesses of old age? Isn't there too much talk and emphasis today on security, and not enough on opportunity?

America was discovered, the nation was built, the continent was conquered by men who turned their backs on security in search of opportunity—and, finding it and forging it, gave us the greatest nation in the world. Twice America has defeated dictators intent on world domination; it never could have done it if it had been a nation intent on security.

America is not senile. This is still a land of *opportunity.* Let's be sure we keep it that, so we may have the means to give security to the old and sick who need it. All history shows that the more emphasis you put on *security,* the less of it you have, and the more emphasis you put on *opportunity,* the more you have of *everything* good, including security.



Turret Lathe producing parts for other turret lathes

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YOU CAN PRODUCE IT BETTER, FASTER, FOR LESS WITH WARNER & SWASEY MACHINE TOOLS, TEXTILE MACHINERY, CONSTRUCTION MACHINERY

IN THIS ISSUE

★ Are Polio Shots Really Safe Yet?

Here, from the country's top authorities, are answers to the questions people are asking now about the Salk vaccine. Is there any assurance that it is safe yet? Just why did the Government order the delay? Is the value of the first injection now lost? See page 29. Also, comments of President Eisenhower on polio shots—page 32.

★ Thai Premier Tells: Where Reds Will Strike Next

For an expert's prediction of where Communists will move next in Asia, see this exclusive interview with the Premier of Thailand, Field Marshal P. Pibulsonggram, starting on page 88.

★ All About the Navy's Hamburger

When the Navy was accused of having a 60 years' supply of canned hamburger, Congress began looking into armed-services buying. To see what Congress found, turn to page 77.

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THE UNITED STATES NEWS

WORLD REPORT

U. S. WEEKLY
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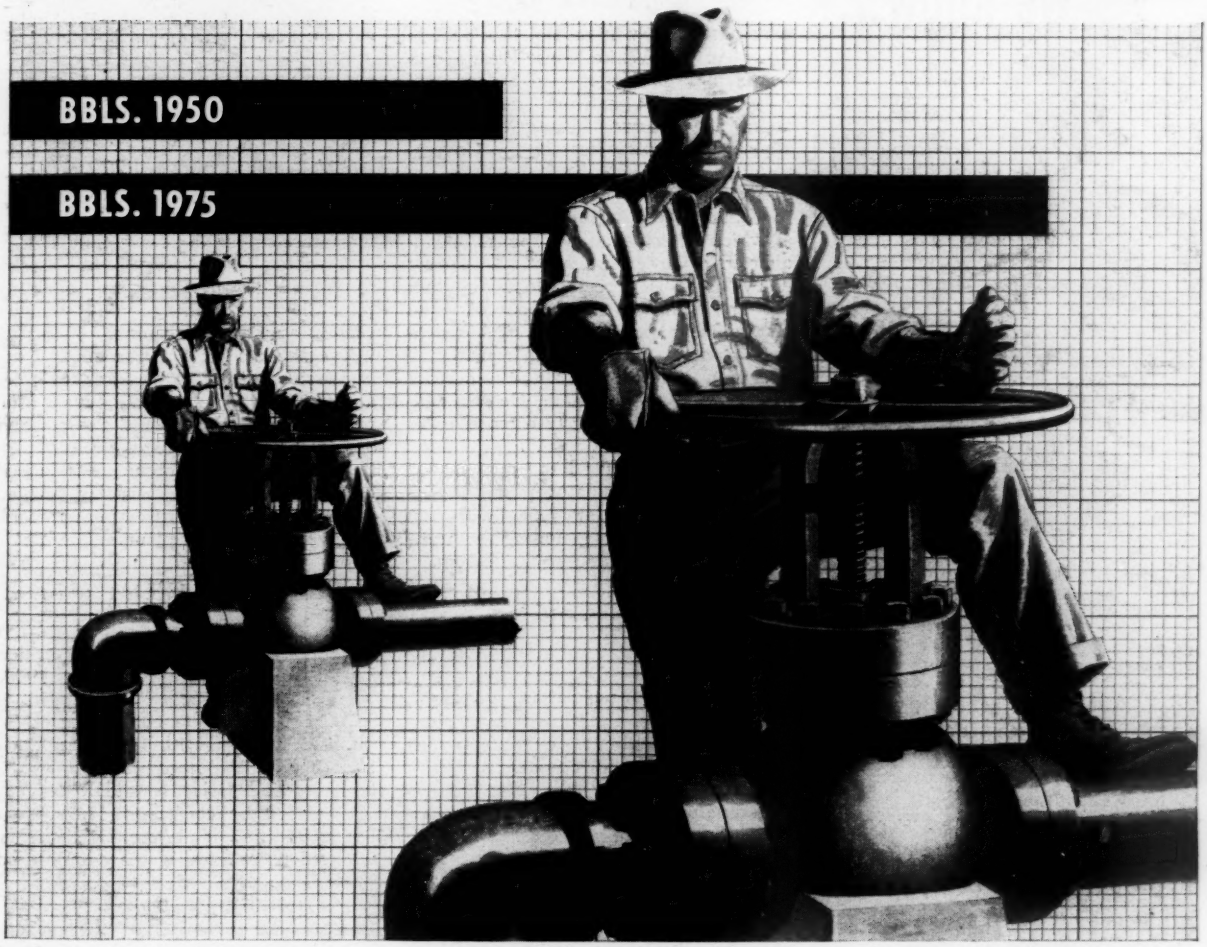
How many barrels, how many gallons... in 1975?



The country's great thirst for petroleum products should grow from 2,375 million barrels in 1950 to *5,000 million barrels in 1975, an increase of 110 per cent* . . . according to an authoritative projection.*

This estimate is based on a careful study of the needs of America's expanding population and suggests the possibilities of growth for corporations in petroleum and many other segments of industry.

An indispensable ingredient of business success is a banking arrangement flexible enough to take care of short and long term requirements . . . adaptable to unusual opportunities.

The Bank of New York, with 171 years of commercial banking experience, has been meeting the banking needs of the petroleum industry and those who distribute, consume or convert petroleum products during the past decades of expansion.

The knowledge and facilities of this Bank are geared to the competitive needs of corporations in today's expanding economy.

*Estimate taken from *A Report to the President by The President's Materials Policy Commission*

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The March of the News

GOVERNMENT BY TV?

TELEVISION MAY HELP run the U. S. in time of war, White House Press Secretary James C. Hagerty told newsmen. A closed-circuit network was set up about a year ago, linking the White House to various offices of the Government.

Also hooked up on the network are a "Secondary White House," the location of which is secret, and "dispersal" headquarters of key agencies.

TV, thus, is expected to insure that the President will not be cut off from his military leaders or his Cabinet in case of attack. A tie-in with commercial television will enable Mr. Eisenhower to broadcast to the nation. Defense officials can use it to alert threatened cities of enemy attacks.

Mr. Hagerty refused to comment on reports that a three-day test of the system is scheduled for June, with top Government officials, including the President, moving to emergency hide-outs.

ATOMIC WEAPONS VS. SUBS

FACED WITH THE THREAT of 375 Russian submarines, Defense Department officials countered with a new wrinkle in nuclear warfare. Scheduled for testing was a "small-yield nuclear device" which can be exploded under water.

Possibly a depth charge or torpedo with an atomic warhead, the latest weapon was to be tested in the Eastern Pacific Ocean, off the U. S. West Coast.

RUSSIANS GET SOCIAL

THE KREMLIN'S TOP BRASS was behaving much like a group of Western politicians at campaign time. Communist bosses were buzzing off to foreign capitals, making speeches, posing for pictures. No baby-kissing was reported, but, within one four-day period, seven of Russia's top 10 men were up to these things:

Premier Nikolai Bulganin: speech in Moscow, then off to Warsaw to pep up a conference of Red satellite officials.

Foreign Minister V. M. Molotov: also; off to Warsaw; planned a Vienna trip.

Party Boss Nikita S. Khrushchev: publicly joked with a Western newsman about whether he is the power behind the Kremlin throne.

First Deputy Premier Lazar M. Kaganovich: speechmaking in Prague.

First Deputy Premier Anastas I. Mikoyan: received a group of French veterans; publicly called for a Big Four conference "at the highest level."

Defense Minister Georgi K. Zhukov and Presidium member Mikhail G. Pervukhin: speechmaking in Berlin.

BILLIONS FOR "COLD WAR"?

TWO BILLION DOLLARS a year might win the "cold war" for the U. S., President Eisenhower was told by an old friend. David Sarnoff, chairman of the board of Radio Corporation of America, wrote a memorandum urging these things:

A strategy board for political defense to plot cold-war strategy just as the Joint Chiefs of Staff plan military moves; encouragement of insurrection in the "weakest links" of Russia's empire, and of passive resistance in other satellites; a massive propaganda campaign, using mobile television units and cheap, hand-operated phonographs.

At his press conference, Mr. Eisenhower endorsed Mr. Sarnoff's "general proposition" that more emphasis should be given to cold-war planning.

PREDICTION FROM MAINE

SENATOR MARGARET CHASE SMITH (Rep.), of Maine, felt that President Eisenhower "prefers to retire after 1956." Mrs. Smith dampened the spirits of 1,500 delegates to a conference of Republican women with this observation. She urged Republicans to start looking for a second-choice candidate.

At his press conference, Mr. Eisenhower said he hadn't "the slightest idea" where Senator Smith got her impression.

DEFENSE PROFITS

MULTIBILLION-DOLLAR defense contracts are being investigated by the House Appropriations Committee, it was announced. "Jet-propelled" profits are being made by contractors, Representative George H. Mahon (Dem.), of Texas, told the House, and the taxpayer has been "losing his shirt" on noncompetitive military buying. Mr. Mahon is chairman of a subcommittee on defense funds.

SUBVERSIVES ON FILE

A UNIQUE LIBRARY, housing only information on subversive individuals and organizations, is planned in Washington. Run by former members of the Federal Bureau of Investigation, it will house the Communist newspaper, the *Daily Worker*, fascist literature, and other published, nonconfidential material. The library will be open to the general public, including Communists.

"Not a man in sight..."

As I was driving along a country road with four other women as my guests a tire went flat. My heart sank with it, for my tire-changing experience was nil and the road was empty of aid. Pulling to the side, I hunted out the tools, remarking as I did so:

"Not a man in sight, of course. What we need is an angel from heaven!"

Imagine our astonishment when a cheery voice above our heads said, "I'll be down in a minute, lady." Unknowingly, I had stopped beside a telephone pole at the top of which sat our "angel"—a line repairman.

From the Reader's Digest *feature,* Life in These United States . . . *"true stories showing appealing or humorous sidelights on the American scene."*

A Friend in Need

We got a chuckle out of that little story and we hope you did too. Best thing about it is that it isn't an isolated case.

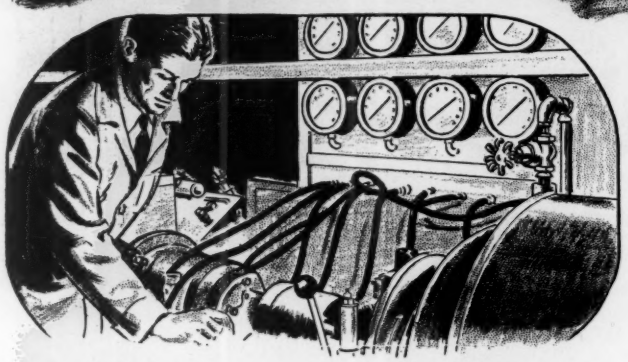
Many a time each day, telephone men and women go out of their way to help someone in trouble. Their friendly, neighborly spirit is one of the nice things about telephone service.

BELL TELEPHONE SYSTEM

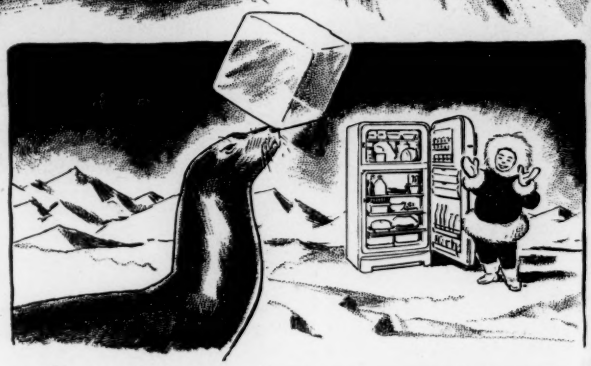
FLYING STILETTO HURLS ITSELF AT THE HEAT BARRIER!

RIPLEY'S

AT SUSTAINED HIGH SPEEDS, SUPERSONIC PLANES HIT A NEW BARRIER--HEAT, CREATED BY AIR RUSHING OVER THE PLANE. IT WEAKENS METALS, TURNS WINDOWS SEARING HOT. PILOTS HAVE TO USE REFRIGERATION! TODAY THE X-3 FLYING STILETTO IS PITTING ITSELF AGAINST THESE HIGH TEMPERATURES -- MEASURING THE EFFECTS WITH SPECIAL INSTRUMENTS. TO FUEL THE X-3'S TWIN JETS THROUGH THESE GRUELING TRIALS REQUIRES EXCEPTIONALLY DEPENDABLE FUEL PUMPS. THE NEED IS MET BY FUEL PUMPS FROM **B-W'S PESCO**. THESE ARE DESIGNED TO WITHSTAND EXTREMES OF HEAT AS WELL AS EXTREMES OF COLD.



EVERY B-W AUTOMATIC TRANSMISSION PRE-TESTED AT HIGHWAY SPEEDS--INDOORS! BEFORE ITS FINAL OKAY, A **B-W AUTOMATIC TRANSMISSION** IS "DRIVEN" UNDER HIGH POWER IN AN INGENIOUS TESTING MACHINE. HERE IT HAS TO DO EVERYTHING IT WILL EVER DO IN A CAR ON AN ACTUAL ROAD--AND SATISFY SUPER-CRITICAL INSTRUMENTS DOING IT. THIS TEST IS AN IMPORTANT REASON FOR THE UNMATCHED SMOOTHNESS AND QUIET, THE SPLIT-SECOND SHIFTING SPEED OF B-W AUTOMATICS.



NEW "BALANCING ACT" GIVES THIS REFRIGERATOR A STEADIER CHILL!

IN TODAY'S NEWEST REFRIGERATOR-FREEZER COMBINATION, MADE BY **B-W'S NORGE**, EVERYTHING IS AUTOMATIC. THERE ARE NO MANUAL CONTROLS. THE SIMPLIFIED COLD-MAKING SYSTEM BALANCES ITSELF TO KEEP TEMPERATURES PRECISE IN BOTH FREEZER CHEST AND STORAGE SECTION. AND BY BALANCING HUMIDITY AND COLD, IT PERMITS UNCOVERED FOODS TO BE STORED WITHOUT DRYING OUT OR WILTING.

185 PRODUCTS IN ALL ARE MADE BY BORG-WARNER

Believe It or Not!

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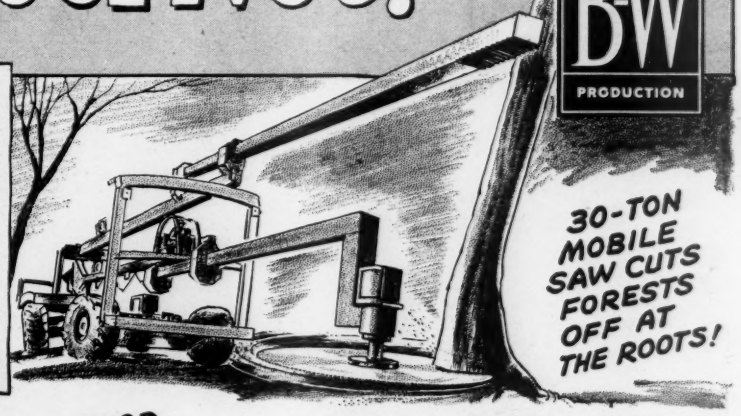
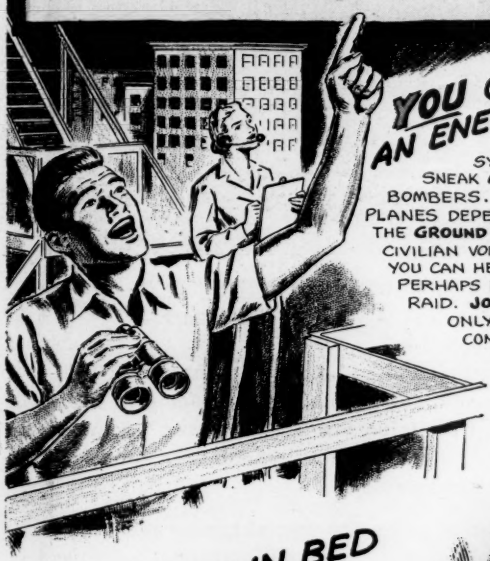
BORG-WARNER SKILL AND INGENUITY BENEFIT ALMOST EVERY AMERICAN EVERY DAY THROUGH THE AUTOMOTIVE, AVIATION, MARINE, FARM MACHINERY AND HOME EQUIPMENT FIELDS!

19 OUT OF THE *20* MAKES OF CARS CONTAIN ESSENTIAL *B·W* PARTS. EVERY COMMERCIAL PLANE AND MANY SHIPS HAVE VITAL *B·W* COMPONENTS. *9* OUT OF *10* FARMS USE *B·W* EQUIPPED MACHINES. MILLIONS ENJOY *B·W* HOME EQUIPMENT AND APPLIANCES.



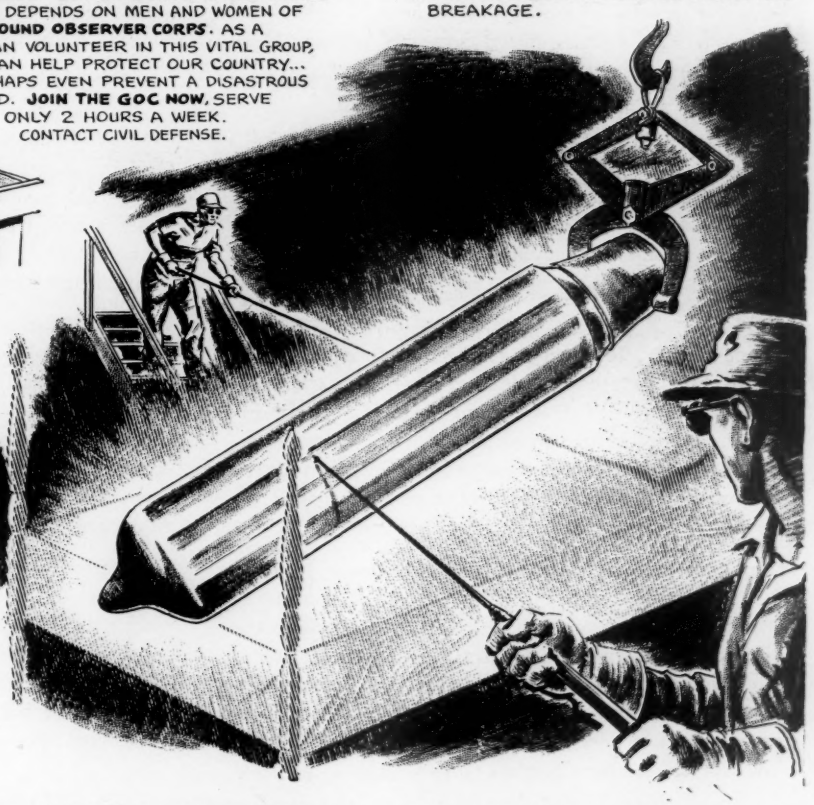
30-TON MOBILE SAW CUTS FORESTS OFF AT THE ROOTS!

IN A SINGLE DAY, THIS REVOLUTIONARY MACHINE CAN SAW DOWN 10 ACRES OF WORTHLESS TIMBER FLUSH WITH THE GROUND... FREE THE LAND FOR BETTER USE. ITS TREMENDOUS 6-FOOT CIRCULAR SAW HAS BEEN DEVELOPED BY **B-W'S ATKINS SAW**. PRECISION-TOOTHED AND RAZOR-SHARP, THIS SAW SEVERS 2-FOOT HARDWOOD TRUNKS IN SECONDS. TOUGH, DURABLE, IT RESISTS WEAR AND BREAKAGE.



YOU COULD STOP AN ENEMY AIR RAID!

OUR RADAR WARNING SYSTEM GUARDS AGAINST SNEAK ATTACK BY HIGH-FLYING BOMBERS. BUT DETECTION OF LOW-FLYING PLANES DEPENDS ON MEN AND WOMEN OF THE **GROUND OBSERVER CORPS**. AS A CIVILIAN VOLUNTEER IN THIS VITAL GROUP, YOU CAN HELP PROTECT OUR COUNTRY... PERHAPS EVEN PREVENT A DISASTROUS RAID. **JOIN THE GOC NOW**, SERVE ONLY 2 HOURS A WEEK. CONTACT CIVIL DEFENSE.



TWO WEEKS IN BED GIVE STEEL MORE MUSCLE!

ALLOY FORGING STEEL IS MADE TO ORDER BY **B-W'S INGERSOLL STEEL** WITH PAINSTAKING CARE -- EVEN TO THE WAY ITS COOLED. HUGE, GLOWING-HOT INGOTS ARE LAID IN SPECIAL "BEDS" AND SNUGLY COVERED WITH INSULATING COMPOUND. THEY REST 2 WEEKS OR MORE UNTIL THEIR TEMPERATURES DROP 2000 DEGREES. BY COOLING BOTH INSIDE AND OUTSIDE OF THE INGOT EVENLY, THIS PROCESS INSURES STEEL THAT IS UNIFORM AND EXTRA-TOUGH CLEAR THROUGH.

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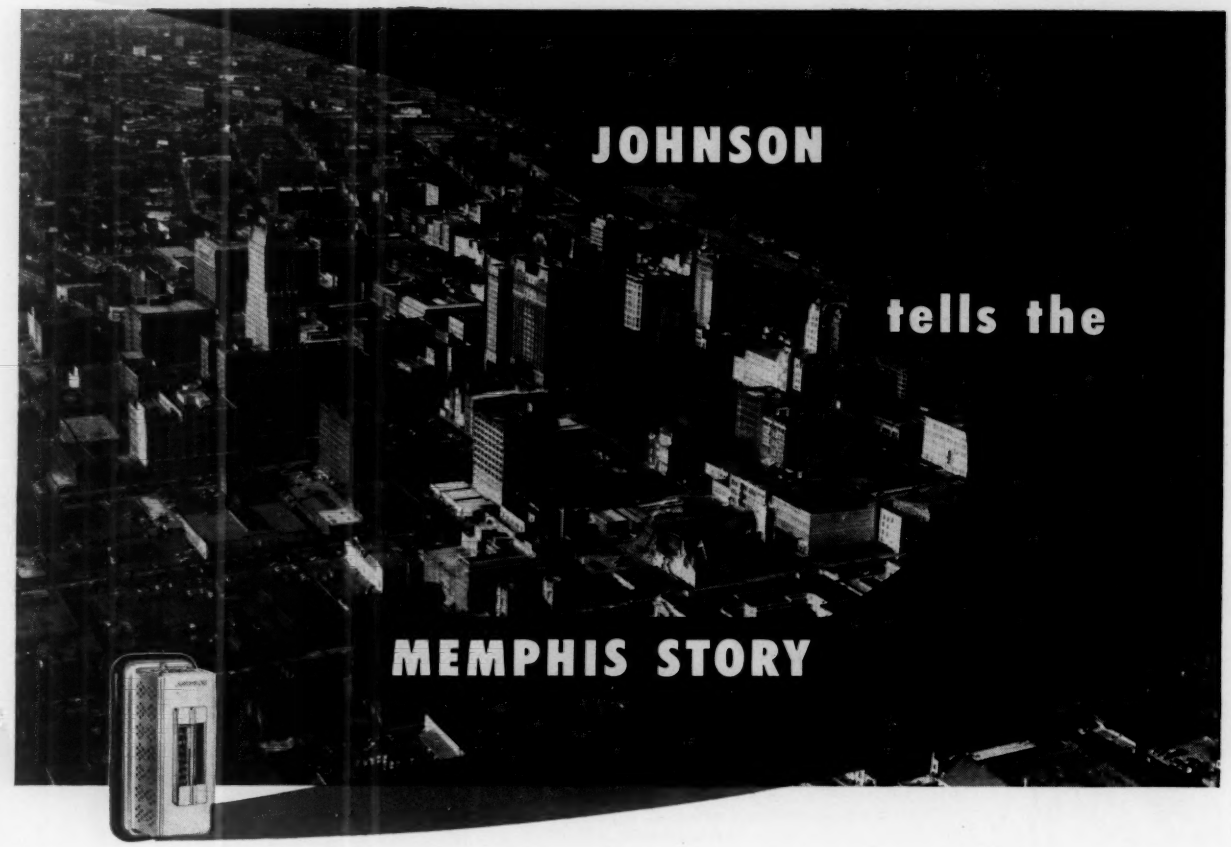

Satisfying, refreshing temperatures top the list of comfort requirements in today's buildings of all types and sizes. The *degree* of comfort you enjoy in your building —*and how much it costs you*—depends on the precision *control* of its heating, ventilating and air conditioning equipment.

A pace-setting, Johnson-engineered automatic temperature control system, *planned to meet the exact needs of your building and its occupants,* is the finest obtainable . . . offers you the ultimate in modern indoor comfort control at the lowest possible operating cost. That's why you'll find Johnson Control in the great majority of better buildings from coast to coast.

Memphis is typical. Here you'll see the famous Johnson Thermostats in every major downtown office building with automatic temperature control, including the Sterick, Exchange and Columbian Mutual Tower buildings...in all three leading banks...in Goldsmith's, Gerber's, Lowenstein's East and other leading stores and shops . . . in better hotels such as the Peabody, the King Cotton and the Gayoso . . .

There is comfort control by Johnson in 6 of the 8 major hospitals, including Le Bonheur Children's Hospital and the new E. H. Crump Memorial Hospital, now under construction. All 4 large downtown theaters have Johnson Control. So do the Brooks Memorial Art Gallery, Memphis Public Library, Southern Bell Telephone Company, most buildings at Memphis State College and the University of Tennessee, Memphis branch. And 23 of the 24 public schools with automatic temperature control systems!

Johnson Control solves the special temperature regulation problems of many Memphis industrial buildings, for companies like Firestone, Borg-Warner, DuPont, Standard Oil, Kimberly-Clark and Buckeye Cotton Oil Co. In the cotton industry (Memphis is the world's cotton capitol) Johnson Control also serves such well known leaders at the Cook Cotton Company and Anderson, Clayton & Co.

Why not let Johnson provide your own building—small or large—with the superior comfort and fuel-saving advantages enjoyed by these and tens of thousands of other fine buildings? The recommendations of a nearby Johnson engineer are yours without obligation. JOHNSON SERVICE COMPANY, Milwaukee 2, Wisconsin. Direct Branch Offices in Principal Cities.

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FROM THE NATION'S CAPITAL

Tomorrow®

A LOOK AHEAD

Newsgram®

24th and N Streets, N.W.
Washington, D. C.

Fear of Russia is likely to fade rather fast in the period ahead.

Russia, weak at home, is likely to be pushed to the defensive. Germany, to rearm, will begin to come up as a new counter to Russia.

A reviving Germany, armed, will make it harder for Russia to dominate and to drain the resources from her slave empire in Eastern Europe.

France, fearful of Germany, may begin to edge up to Russia.

Great Britain, as in times past, will develop a great urge to balance off her power against the strongest combination on the Continent.

U.S., quite soon, is likely to find herself in fast diplomatic company.

Japan is going to start to feel her oats in Asia, too. Japan, once she is rearmed, will again eye Manchuria, will again watch Russia in Asia.

The Japanese, potentially, are by far the strongest Asiatic power.

Communist China, talking big now, will have something new to worry about when Japan is rearmed. Communist Russia, in the middle, will see a rearmed Germany on one side, a rearmed Japan on the other side, both ambitious.

China, except as she's supplied by Russia, will not amount to much.

Times will change greatly once Germany and Japan get armed forces.

American troops, when that time comes, will begin to return home.

American boys, many drafted, now provide the main force in West Europe. Americans today, almost singlehanded, protect Japan.

Youths conscripted from American homes do the job while German youths, Japanese youths sit on the side lines. That's to change, gradually. It is not to be possible politically to saddle 165 million Americans with the job of putting up men and money permanently to protect 275 million Europeans, plus 80 million Japanese, so that those people can enjoy a better life.

Once fear of Russia declines, American attitudes will change--fast.

As the wheels begin to turn in the wholly new period ahead:

The NATO alliance in Europe will be somewhat harder to hold together. U.S., pulling back its forces as Germany rearms, will be less dominant. The French, fearing Germany, may be less inclined to favor joint forces. Germany, as time goes by, will want more and more to look out for her own interests.

Great Britain also has a tradition for watching out for her interests.

U.S. advice and help will be less sought when special interests of nations with reviving ambitions start to come back in Europe and Asia.

Big question: When U.S. welcome is worn out and she starts to go home, will she insist upon getting recognition for some selfish interests of her own, or

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will U.S.--as in the past--write off her vast investment in blood and money and accept what others offer for past favors.

Ike's talks with Bulganin will not get far. Bulganin hasn't anything real to offer. Ike can't give the Russians anything without trouble at home.

Russia's disarmament plan is another trick. Russia wants U.S. to give up her bases, just completed. U.S. cannot agree. Russia proposes inspection of disarmament along the lines of inspection in Korea. That's a fraud.

Ike can talk, pass the time of day, then come home.

Talks with Russians to date: 106 million words. Agreements reached: 52. Agreements violated by Russians: 50. Agreements kept: 2.

Draft, at home, is working many hardships. Drafting, actually, now reaches no more than one youth in 15. Volunteers for draft, in many States, fill quotas. But: Under the law, as in force, draft now takes older men first. It is tending to concentrate on men approaching 26, even some past age 26. College-trained youths, too, often get caught. The great majority of youths aren't touched by quotas of 10,000 each month.

You get this story in its detail on page 24.

Stock-market prices are in what's referred to as an intermediate downtrend. It's a "technical correction" in a bull market, not a bear market.

Arms-industry stocks reflect the declining chance of any war. There's less speculation, with credit for stock-market use made tighter. Also: A tendency is noted for people to see how far the summer slowing in business may go; how autos, in particular, fare when the 1955 buying season narrows.

Business trends, profit trends actually are up for 1955 as a whole. Last quarter of the year will be as good as, probably better than the first. Odds are that 1956 will be good, too, through the first half at least.

Steel strike is improbable. Steel wages may go up 10 to 12 cents.

Auto strike is around a 50-50 chance, maybe less. There is some talk of compromise that would avoid a strike, but it may be premature. Annual wage demand may end up as a special unemployment-compensation fund into which part of any pay raise would go. Idea would be to have company payments on top of Government payments for a limited time to men who lose jobs.

Ford is the company the union is picking to test. Ford-stock sale will wait on settlement of the issues raised in negotiations with the union.

Polio vaccine will be abundant by autumn. Polio threat will be lowered sharply by vaccination but is unlikely to be eliminated. Polio shots have been proved by mass inoculation to be safe to a high degree.

Sir Anthony Eden and the Conservatives appear set to win in England. Clement Attlee and the Socialists are being given only a slim chance.

Conservative victory will be to U.S. liking. Socialist victory would be to the Russian liking. Socialists are quite strongly anti-U.S.

Ike's closest political friends seem more and more to be coming to the idea that he will not accept a 1956 draft. Age is given as the reason.

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tradition of service

The nation's largest independent telephone system

•

Serving growing communities in 21 states

•

Handling over 8 million calls daily

In the telephone industry, Nature is not always friendly.

To build the lines that today reach over 5 million miles, General Telephone spanned mountains, rivers, forests. Once built, those lines must be kept open despite storm, flood, ice, snow . . .

But whatever the cost, the communication vital to the progress and prosperity of millions must be maintained.

Dependability is a telephone tradition.

GENERAL TELEPHONE SYSTEM

One of America's Great Telephone Systems

260 MADISON AVENUE, NEW YORK, N. Y.

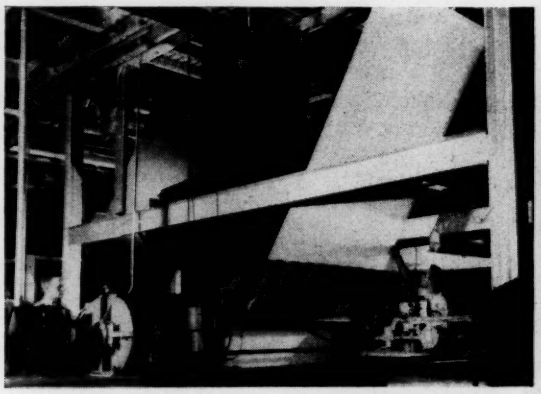
The TUBELES

★ America's Future Progress Depends on Better and Safer Highways ★

THE new tubeless tires that are standard equipment on the new 1955 cars, provide wholly new concepts of safety and economy for the car owners of America. But all tubeless tires are not alike! They differ greatly, in performance, in safety and in quality. One tire, and only one, the new Firestone De Luxe Champion Tubeless Tire, gives you, *at no extra cost,* exclusive built-in extra values that you cannot get in any other tubeless tire. Many of the most important features of these plus-quality tires cannot be copied by other tire makers.

Until now, tubeless tires have always sold at premium prices. But Firestone, after years of research and after investing many millions of dollars in engineering, in facilities and in new equipment, showed the industry how to build them to sell at the price of a conventional tire and tube.

You can have your present car equipped with a set of new Firestone De Luxe Champion Tubeless Tires without changing your present wheels or rims. They cost no more than conventional tires and tubes and your nearby Firestone Dealer or Store will give you an allowance for the unused mileage in your present tires. You can buy on convenient budget terms, if you desire.



This is the only complete cord treating factory of its kind in the world. In it, the cord used in the bodies of Firestone tires is Gum-Dipped and Safety-Tensioned to "set" the cord so it cannot expand when it gets hot from fast driving, causing the tread to crack and separate from the tire body. Safety-Tensioning and Gum-Dipping were originated by Firestone. No other tires can give you this extra safety feature.

THE NEW *Plus-Quality*

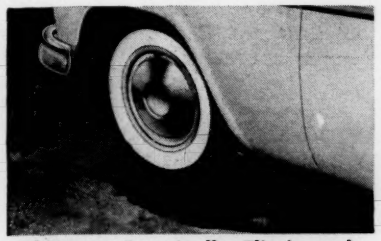
Firestone

STANDARD EQUIPMENT ON THE NEW 1955 CARS . . . YOU CAN PUT THEM ON YOU

Enjoy the Voice of Firestone on radio or television every Monday evening over A

SS TIRE-Plus

Only Firestone Gives You All of These Plus Advantages . . . . . .

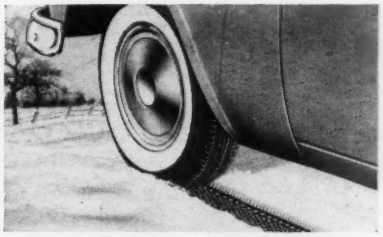


Blowouts Practically Eliminated

With the new Safety-Tensioned Gum-Dipped Cord Body, the new Safety-Liner and Tubeless Construction, damage which might cause a blowout in a conventional tire merely causes a slow leak in the new Firestone De Luxe Champion Tubeless Tire, giving you plenty of time to bring your car to a safe, straight-line stop, even from high speeds. This tire is so strong and the tread so tough that it gives protection even against terrific impacts.

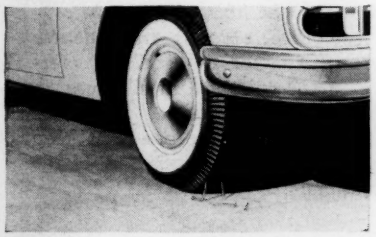
Hushes Squeal, Whine and Hum

The Silent-Ride Safety-Grip Tread is scientifically designed for quiet running. Instead of adding stabilizers to the tread as an "after thought," the outer grooves are stabilized by the elements of the tread itself, thereby eliminating the cause of squealing on turns. Furthermore, the traction elements in the tread overlap each other, which prevents annoying whining and humming on the road, even on wet pavements and on wet brick.



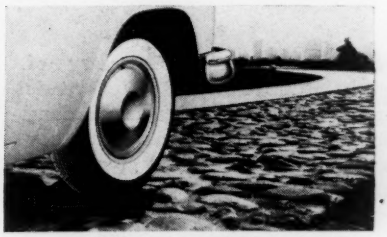
Unequalled Non-Skid Protection

The new Silent-Ride Safety-Grip Tread provides greater protection against skidding and side-slips and greater traction than any other tire on the market except, of course, special winter tires. The tread elements are scientifically-angled for maximum skid-resistance in all directions and for utmost traction. The new Firestone De Luxe Champion Tubeless Tire has more inches of non-skid edges than any other tire of similar type and price.



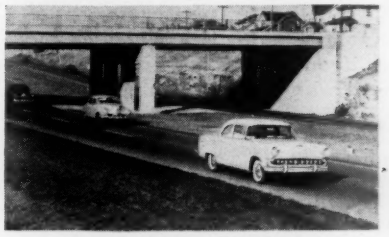
Seals Punctures Against Air Loss

If a nail or any other sharp object should possibly penetrate the extra-tough tread and cord body, the Safety-Liner, which is inseparably welded to the inside of the tire body, grips the nail and prevents loss of air, thereby minimizing the danger and annoyance of punctures. You can keep on going until you have time to have the nail removed and the tire repaired at a service station. No need to change tires on the highway.



Something New in Riding Comfort

The new Firestone De Luxe Champion Tubeless Tire absorbs bumps and road shocks which conventional tires transmit to the frame and body of the car and thus to you and your passengers. It provides a super-soft cushion of rubber and air which helps smooth out even the roughest roads. It makes steering easier . . . and it has an extra-tough Curb Rib which protects white sidewalls against damage and scuffing and preserves the beauty of the tire.



Most Miles Per Dollar

Every part of this amazing new tire is built for long, trouble-free mileage. The Silent-Ride Safety-Grip Tread is made of extra-tough, wear-resistant rubber. It is road-level flat for maximum contact with the road and utmost mileage. The Safety-Tensioned Gum-Dipped Cord Body is locked or "set" so that it cannot expand or "grow" and cause the tread to crack and separate, thereby ruining the tire. It is so strong it can be retreaded again and again.

*DELUXE CHAMPION Tubeless Tires

PRESENT CAR AT NO EXTRA COST AND WITHOUT CHANGING WHEELS OR RIMS

Copyright 1955, The Firestone Tire & Rubber Co

*Also available for use with tube.

Washington Whispers®

[Items appearing on this page are reported in Washington and other news centers]

Ike Gives Eden a Lift . . . East Germany Ripe to Explode? . . . Nehru Checks on Chinese . . . Drought Plagues Mao

President Eisenhower's agreement to talk with Russia's Premier Nikolai Bulganin is being credited with assuring a victory for Sir Anthony Eden and the Conservatives in the coming British elections. Eisenhower did it, in part, for his old friend, Sir Winston Churchill.

★ ★ ★

Sir Anthony sided with France's Edgar Faure in putting pressure on U. S. to go on giving support to Bao Dai as Chief of State for South Vietnam. American taxpayers, pouring 400 millions a year into South Vietnam, are helping to support the one-time Emperor and his entourage on the French Riviera.

★ ★ ★

John Foster Dulles, Secretary of State, is being advised by some of his aides that U. S. had better consider liquidating its investment of money and supplies in what remains of Vietnam before it is left holding the bag, if and when the French make a deal with Ho Chi Minh, Communist leader.

★ ★ ★

Gen. Alfred Gruenther, Supreme Commander of North Atlantic Treaty Organization forces in Europe, looks for the first German troops to be undergoing military training by early 1956.

★ ★ ★

Secretary Dulles has told friends that there is not a chance that Germany will accept a neutral role in any European realignment. Mr. Dulles is pointing out that the Germans, in the light of history, are not a people to sit on the side lines while the French and Russians call the tune.

★ ★ ★

Pressures unparalleled since 1953 are pictured as building up in East Germany, where Communists are in control. More and more essentials have vanished from stores at a time when work norms are being increased to try to drive the people to produce more. The situation is described as "explosive."

★ ★ ★

Harold Stassen, White House aide on disarmament matters, is being described by his friends as gradually filling the role of adviser and confidant to President Eisenhower that Harry Hopkins filled when Franklin Roosevelt was President.

★ ★ ★

Mr. Eisenhower quickly corrected a remark, "I couldn't be happier that my grandchildren had gotten the shots"—referring to polio shots. It was explained that only one grandchild—David Eisenhower, 7, had received the Salk vaccine. The two others—below the age group entitled to first shots—did not get the vaccine because not yet due for it.

★ ★ ★

Oveta Culp Hobby, Secretary of Health, Education and Welfare, is coming under some criticism among members of Congress for what they claim is her inclination to give out as little information to the public as possible—whether in relation to welfare programs or polio vaccine.

★ ★ ★

Senator Lyndon Johnson, Texas Democrat and Majority Leader, is under more fire from the New Deal wing of the Democratic party for not making a greater challenge to the Eisenhower Administration and its program. The complaint is that the Democrats are not developing issues on which to base the coming 1956 campaign.

★ ★ ★

Democratic leaders in Congress are aiming at an adjournment date earlier than July 15. President Eisenhower is strongly in favor of adjournment before late summer to permit some time for a mountain vacation.

A score of 4 to 0, with Communists on the short end of the latest air engagement, is regarded by American military officers as one more source of discouragement to Communist Chinese who may be planning to pick a fight around Formosa. At that rate, in a big fight, the Red Chinese Air Force might not last long.

★ ★ ★

Red China's Mao Tse-tung has something new to add to his troubles at home. The worst drought in 10 years has moved into much of the same farm area that was hit by record-breaking floods last year. The Communists have shot a number of famine-stricken peasants caught stealing rice from Government warehouses.

★ ★ ★

India's Jawaharlal Nehru, while remaining chummy with Communists abroad, continues to show fear of Communists at home. He keeps seven post-office officials in Calcutta busy with the job of reading secretly all mail going from Chinese in India either to Hong Kong or mainland China. The idea is to keep check on subversive activities of the Communists.

★ ★ ★

This description of American "undercover agents" at the recent meeting of Asian and African nations was brought back to Washington: "They were big, blond, blue-eyed types with Washington seersucker suits on, carrying big labels of department stores. You could spot them a mile away."

★ ★ ★

A big flow of illicit narcotics now is reaching this country from the small Mediterranean nation of Lebanon. Until recently, Italy was the trouble spot along with Communist China. Now Lebanon is bracketed with China. The suggestion has been made that all diplomatic pouches from that country be opened in the hope of stopping the flow.

There's News For The Joneses Today . . .

And the Smiths, and the Browns. In fact, for all our nearly 45,000 shareholders. We keep them up-to-date on our company's activities through informative folders sent with our regular quarterly dividends, and through our Annual Report. We send them special messages during the year when important corporate events occur.

Our stockholders live not only in all of the 48 states but in many countries abroad as well. Approximately 41% are women. The average holding is 202 shares and no individual owns as much as 1% of the Company's outstanding shares.

Many thousands of investors indirectly share ownership in National Distillers through institutions holding stock in our Company—trusts, pension plans, mutual funds, banks, insurance and investment companies.

In the interest of our stockholders we have materially advanced our program of product diversification. Today, National Distillers is not only one of the country's major producers of alcoholic beverages, but has become a leading manufacturer of petrochemicals, solvents, intermediate and industrial chemicals . . . providing share owners with diversified sources of income and the Company with greater business potential, now and in the future.

National Distillers Products Corporation

NEW YORK 16, N. Y.

PRODUCT OF NATIONAL DISTILLERS

OLD GRAND-DAD · OLD TAYLOR · OLD CROW · PM · OLD SUNNY BROOK (BRAND) · GILBEY'S GIN · HILL and HILL
BELLOWS PARTNERS CHOICE · BOURBON DE LUXE · BOND & LILLARD · OLD HERMITAGE · DeKUYPER CORDIALS

OLD GRAND-DAD, OLD TAYLOR, OLD CROW, KENTUCKY STRAIGHT BOURBON WHISKIES, BOTTLED IN BOND, 100 PROOF. • PM BLENDED WHISKEY, 65% GRAIN NEUTRAL SPIRITS, 86 PROOF. • OLD SUNNY BROOK KENTUCKY WHISKEY—A BLEND, 65% GRAIN NEUTRAL SPIRITS, 86 PROOF. GILBEY'S DISTILLED LONDON DRY GIN, 100% GRAIN NEUTRAL SPIRITS, 90 PROOF. • BELLOWS PARTNERS CHOICE WHISKEY—A BLEND, 60% GRAIN NEUTRAL SPIRITS, 86.8 PROOF. • HILL AND HILL, BOURBON DE LUXE, BOND & LILLARD, OLD HERMITAGE, KENTUCKY WHISKIES.

PEOPLE ★ ★ ★

OF THE WEEK

› GEORGE M. HUMPHREY, the Secretary of the Treasury, was being quoted last week as practically promising a balanced budget and another tax cut next year. All the talk came up after Mr. Humphrey spoke behind closed doors to the Business Advisory Council, a group of business leaders appointed as advisers to the Commerce Department.

What actually happened, those close to Mr. Humphrey say, is that his words were given an exaggerated interpretation. The outlook in Government finance is better, but still uncertain, they say, and Mr Humphrey's cautious "hopes" and "ifs" were translated into clear expectations by some of his audience, and passed on to the public. The translation reflected the optimism that pervades the business world at a time when sales and profits are high. The budget deficit now looks smaller than anticipated last January—but there is still a deficit.

Next problem to face Mr. Humphrey looms at the end of June. His associates in the Treasury are saying that "something will have to be done" about raising the federal debt limit again at the end of the fiscal year.

› NEW CHAIRMAN of Montgomery Ward & Company is a relatively young lawyer with an opportunity ahead of him to become one of the country's biggest business executives. **John A. Barr,** at 46, succeeds 81-year-old Sewell L. Avery as chairman of Ward's board of directors after a proxy fight in which Mr. Barr aided pro-Avery forces in holding a majority on the board.

Montgomery Ward is the oldest, and once was the largest, mail-order merchandising firm in the world. Mr. Avery pulled the firm out of the depression but, after World War II, he halted expansion of retail outlets, instead piled up liquid assets to ride out another depression that he believes will come. Mr. Barr inherits this policy—with freedom to alter it.

Born on an Ohio farm, Mr. Barr attended a one-room school, skipped grades because of high marks, got a law degree from the University of Indiana in 1930 after waiting on tables in a sorority to pay expenses. He joined Ward's in the 1930s as a member of the firm's legal staff, became vice president, secretary and then general counsel in 1949. He may still have a fight ahead with a Miami financier Louis E. Wolfson, to keep control of the company.

(Continued on page 18)

THE MAN WHO WORKS "THE WEATHER MACHINE"

› GEORGE P. CRESSMAN is putting that marvel of modern days—the "electronic brain"—to work figuring out what the weather is going to be 24 hours ahead of time. At present, the "brain" is fed observations once a day.

Results expected by Mr. Cressman are much better public forecasts. Hurricanes and snowstorms will not change, of course, but chances that they will catch the nation napping will be somewhat slimmer.

Mr. Cressman heads the Joint Numerical Weather Prediction Unit, formal name of the "brain" project run by the Weather Bureau, Air Force and Navy. About 20 weather scientists help deal with the machine in this way:

Radiosonde balloons send temperatures, barometric pressures, wind behavior, other facts from the upper air. Coded facts, relayed to the prediction unit by wire, are recorded on a map of North America, gridded with 600 squares. Weather information for each square goes into the "brain" along with complex equations. What comes out are figures for each square predicting air patterns every half hour for 24 hours.

The scientists are dealing with humpy layers of air overlying the country like a sheet thrown over furniture. Patterns at three altitudes—about half a mile, two miles, and five miles—are figured out. As a by-product, the machine calculates up-and-down air movements between layers—air shifts that are important. For instance, rising air cools off, may cause rain.

Forecasters now get better information on which to base an "educated guess" about the weather.

WEATHERMEN: Their guesses will be "better educated"

AIR AT WORK

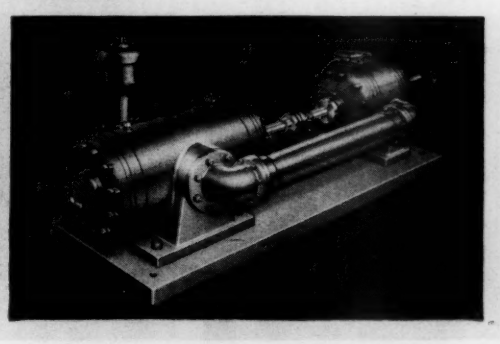
Here's the way to get top production from it...

Low or fluctuating air pressures are common problems in plant air supply. Production men are beating these problems with the Allis-Chalmers rotary type compressor — the two-stage *Ro-Flo* unit.

This is the modern design that makes possible new and important efficiency gains in plant air systems. Instead of using one large compressor, several small units can be used — thus shortening air lines, cutting line drop. Two-stage *Ro-Flo* units can be placed anywhere. No heavy foundation is needed because rotary design practically eliminates vibration.

With no pistons or valves, maintenance is cut. In addition, due to wear-compensating features, efficiency and air supply are constant year after year.

To learn how two-stage *Ro-Flo* compressors can help you modernize your air supply, contact your A-C office or write Allis-Chalmers, *General Machinery Division*, Milwaukee 1, Wisconsin.



Two-stage *Ro-Flo* compressors in pressures from 60 to 125 pounds gauge, and volumes from 250 to 1800 cubic feet per minute.

Ro-Flo is an Allis-Chalmers trademark.

A-C ALLIS-CHALMERS

A-4686

ALLIS-CHALMERS

1955

CONTINUED

> GEN. MAXWELL D. TAYLOR is practically certain to get quick Senate confirmation as new Chief of Staff of the Army. He will succeed Gen. Matthew B. Ridgway, who has taken issue with the Administration and with other members of the Joint Chiefs of Staff over progressive cuts in Army manpower. General Ridgway passed the mandatory retirement age of 60 on March 3 but was retained temporarily while Congress conducted hearings on defense funds.

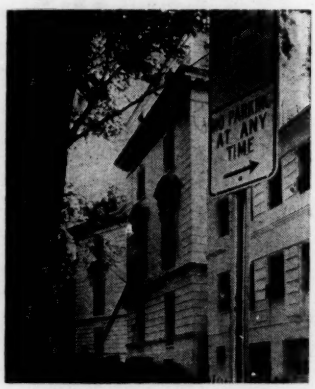
The new Chief of Staff is a man of action tempered with caution against impromptu moves. At present he wears two hats, as Commander in Chief of the U. S. Far East Command and of United Nations forces in Korea. During World War II, he drew admiration of General Eisenhower for spending 24 hours behind enemy lines to sound out chances of a paratroop attack on Rome. As commander of the 101st Airborne Division, General Taylor parachuted into France the night before D Day. He is 53 years old.

> MILITARY SYMBOL of West Germany's entrance into the North Atlantic Treaty Organization is an ex-member of the German General Staff, **Hans Speidel.** At NATO headquarters last week, he saw the German flag raised at the place where he will join other Allied officers as head of a German military mission.

General Speidel is regarded as the German military man least likely to arouse traditional French suspicions. Although he wrote surrender terms for France in 1940, he also is credited with having saved Paris from destruction by defying Hitler's orders to defend the city, bridge by bridge, in 1944. He speaks excellent French, and, for the time being, will not wear a German uniform.

Wartime experience of General Speidel may be useful to the Allies. He planned the 1942 summer drive against Russia. It failed, he says, because there were too many Russians and one German too many—Hitler. General Speidel was arrested after the 1944 bomb plot against Hitler, sat out the rest of the war in a German prison. After the war, he became professor of modern history at Tübingen University, from which he received a Ph.D. degree in 1925.

AN IRON CURTAIN IN U. S.



> RUMANIA'S MINISTER ordered new decorations for his legation—iron bars at all windows, including those on upper floors [above]. The Minister, **Anton Moisescu,** forbade customary methods of doing preliminary work from the inside, kept curtains drawn while American workmen labored at the windows from ladders.

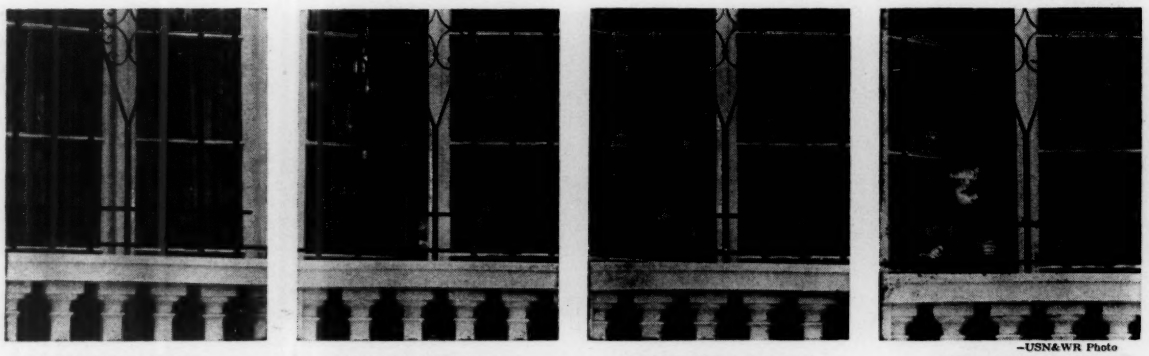
Mr. Moisescu is a trusted representative of Soviet satellite Rumania, came to the U. S. last December. The previous Minister went home after an illegal radio transmitter was traced to the legation.

A legation spokesman says the bars are going up to make the decor uniform, improve the building's appearance. Bars, embedded in brick walls, can keep intruders out—and keep employes in.

> AN OLD HAND at operating Germany's prewar international airline is masterminding West Germany's return to world airways—a return to be marked by German flight to New York, expected to begin in June. Behind the build-up of Lufthansa is **Hans M. Bongers,** a businessman-engineer who participated in developing German commercial flying from 1918 until the end of World War II.

Germany is the last World War II enemy of U. S. to resume commercial flying, although Mr. Bongers has been rebuilding the airline since 1951. The Civil Aeronautics Board is speeding up approval of operations to the U. S. by waiving the usual 15-day period for objections because Germany has reciprocal rights to match present U. S. air service to Germany. The speed-up is aided by the fact that Lufthansa bought American-made planes, already certified as airworthy.

A large part of the Lufthansa staff was recruited from prewar ground and air crews, although chief pilots will be Britons and Americans for the first year or so. Mr. Bongers himself started with the Junkers firm in 1918, joined Lufthansa when the airline was organized in 1926, rose to manager of all traffic before peace terms grounded Germany.



NEW IRON BARS . . . . . ARE NO MATCH FOR . . . . . THE CURIOSITY OF . . . . . GEORGI MOISESCU

—USN&WR Photo

BELIEF made this sale

People who have faith in the editorial and advertising pages of the magazines in which you advertise are the best sales prospects for your products and services. Outstanding readership of advertising and steady response to editorial columns are reliable evidence that . . .

People believe in The American Magazine.

This trust is a firmly-based one . . . inspired by an editorial policy keyed to the wants and needs of our readers. And more and more people are coming to realize this. During the last six months of 1954, American Magazine total circulation reached an *all-time high* . . . led all major family magazines with the *greatest increase in newsstand sales*. Yes, people believe in The American Magazine because . . .

LEADS ALL MAJOR FAMILY MAGAZINES

The American Magazine believes in people.

One major result of this belief is increased advertising effectiveness . . . whether you advertise drugs and cosmetics, travel, automobiles, leisure time needs, insurance . . . or *your* products or services. Direct your selling message to the 10,000,000 monthly readers of The American Magazine . . . and watch your advertising get results!

THE American MAGAZINE

"It moves goods because it moves people"

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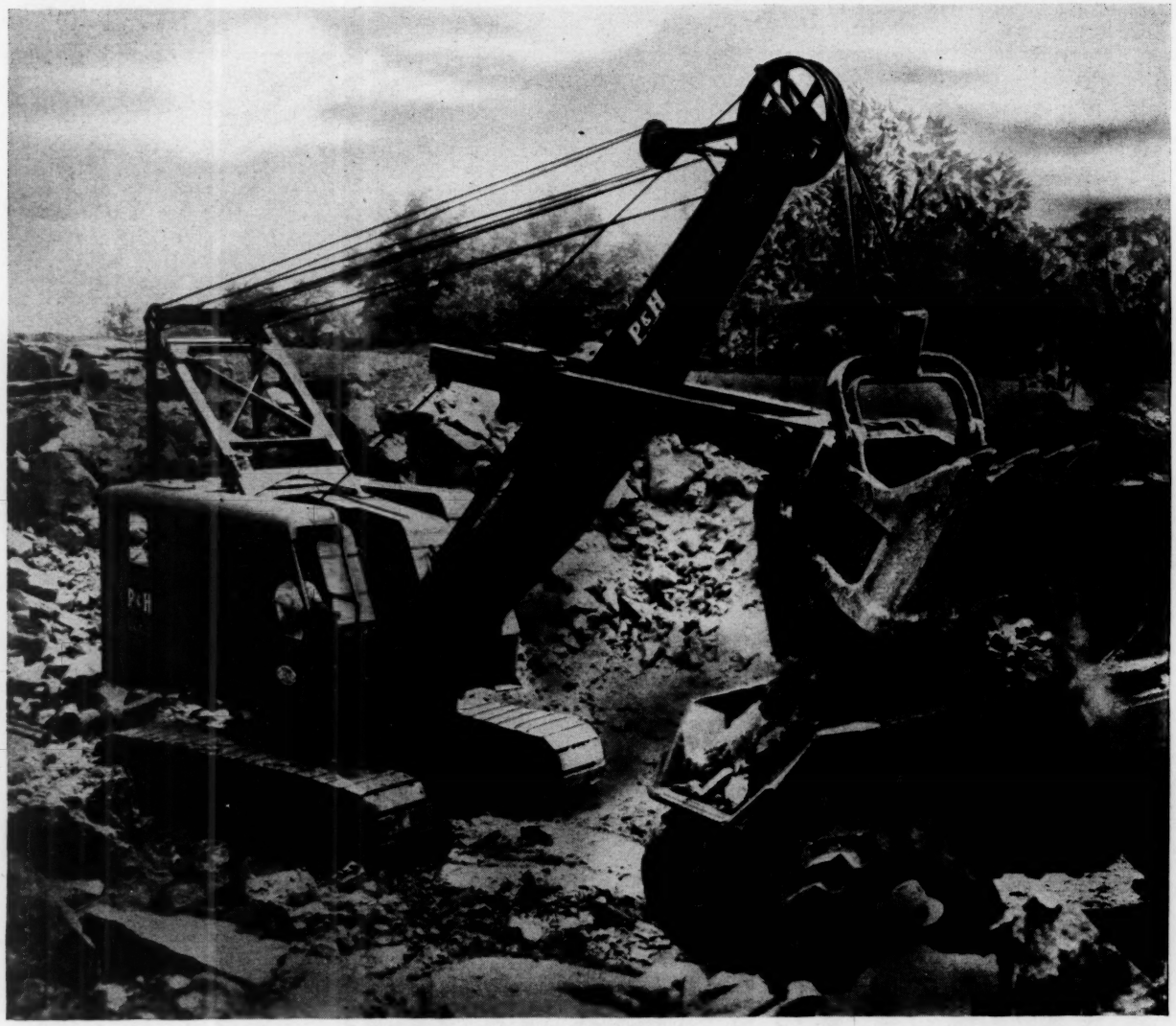


How P&H Excavators thrive on a rock diet

For days on end, nothing but rocks — 3½ yards at a bite! What manner of machine can take this for a steady diet?

You see it here. A machine as rugged as the rock itself: the P&H 1055 power shovel.

Its stamina comes of *all-welded construction* of rolled alloy steels. It carries no "fat" to slow it down. Like a finely conditioned fighter, the P&H can throw every ounce of power into the job and far outclass its rivals, because P&H is some 20 years ahead in all-welded design.

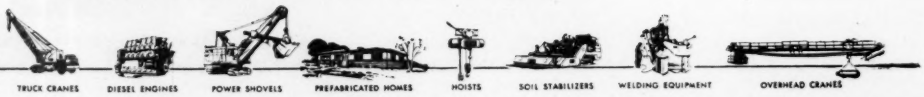
This agile strength means faster digging cycles. The huge dipper actually swings without friction, started and stopped by electro-magnetic forces — the P&H *Magnetorque** Swing.

These many advantages will result in lower costs. We'll be glad to set the figures before you. Just call a P&H Representative, or write to Harnischfeger Corporation, Milwaukee 46, Wisconsin.

**T.M. of Harnischfeger Corporation for electro-magnetic type coupling.*

HARNISCHFEGER

the P&H *Line*



TRUCK CRANES · DIESEL ENGINES · POWER SHOVELS · PREFABRICATED HOMES · HOISTS · SOIL STABILIZERS · WELDING EQUIPMENT · OVERHEAD CRANES

VOLUME XXXVIII—No. 20 U.S. News & World Report WASHINGTON, D. C.

IS "NEW ERA" REALLY HERE?

Most Think So—and That Might Lead to Future Trouble

Idea is getting around that there is no end to prosperity.

Recessions, wars, other worries of the past seem far away. It's like a "new era."

Americans are living high, spending as never before, going in debt for new, fancier homes, cars and gadgets.

Where does all this lead? In time, maybe, to excesses, then a correction. But that's some time off. For now, all looks good.

Once again the feel of a "new era" is in the air. Confidence is high, optimism almost universal, worry largely absent.

War is receding as a threat. Peace is a growing prospect. Jobs are quite plentiful. Pay never was so good. The promise is that taxes will be cut. Everywhere things are in a rising trend.

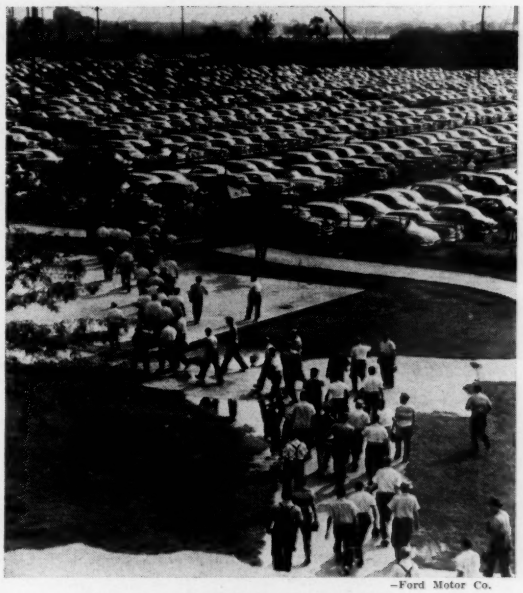
Three times in 10 years a depression scare has come and gone without amounting to much. The first scare came in 1946, right after World War II. Military spending was cut drastically with scarcely a ripple. The second scare came in 1949. The public went right on buying, oblivious to the worries of businessmen, and this scare faded. The third scare began in mid-1953. It now is little more than a memory.

Today, there are several million people well along in their 30s who have no personal recollection of the job scarcity that prevailed in the early New Deal years. This group's memories are chiefly of the booming war and postwar years. Many people in their 40s today have only occasional remembrances of the deep depression that ruled from 1930 to 1933.

So it is easy to get into a "new era" mood once again.

In the past when that mood took over—as it did in the late 1920s—the seeds of trouble were planted. The talk then was of "a chicken in every pot, a car in every backyard." Difficulties soon followed.

Yet today, 25 years later, a chicken for every pot is a commonplace. Nearly every family has a car and a great many have two cars. On top of that, there is an owner-occupied house for three out of every five families. There are almost three radios for each family and gadgets galore to make the "new era" dream of a quarter of a century ago seem very old-fashioned.



—Ford Motor Co.

AMERICAN WORKERS—AND THEIR AUTOS
Coming up: the 3-car family

In the "new era" of the 1920s, there was talk of a gradual slowing in the growth of the United States. People tended, even amidst prosperity, to marry later and later in life. Families gradually were becoming smaller. Weighty studies were made about whether the groups with presumed higher intelligence—with college educations—were replacing themselves.

Baby boom, too. After 17 years of war and good times, the boom of today is as great in babies as it is in the goods that go to make life more comfortable and pleasant.

It is this boom in babies that is being counted on now to make the latest "new era" different from the last one. Families are growing bigger. Good roads and fine automobiles are opening the countryside. The urge is toward suburban living and for houses with three or four bedrooms instead of one or two. Families growing up now often have several children, ranging in age from 9 to 12 years. In another 10 years—a short time as cycles go—these children will be grown, married and having children of their own.

Attitudes, too, are changing along with family size.

Debt is almost as commonplace as air. Fear of debt seems to have died out. In times past, people used to have to put up as much as 50 per cent of the price of a house. Now some people can get a house

by paying nothing down and stringing the loan out for 30 years. Cars often are purchased for little down and three years to pay.

Once it was regarded as somewhat of a stigma to buy something that could not be paid for. Now it is a national habit to enjoy today the good things that industry can provide and pay for them out of income that is expected in the future.

Wanted: latest gadgets. There is a tendency, too, to demand the latest models and the newest gadgets. Family autos that are three or four years old are turned in as readily as an old suit of clothes or an old pair of shoes is thrown away. Families think nothing of moving from one home to another after only a few years of occupancy. The new, modern houses are selling readily, while older homes often go begging for buyers.

The average American family appears to have reversed its attitude in the last few years. Instead of working and saving for a rainy day or for old age, the tendency now is to get as much pleasure and comfort as possible, immediately. Fear of unemployment seems almost to have disappeared, and fear of old age apparently is eased by widespread pensions and retirement benefits.

Demand for the newest products is most spectacular at this time in the automobile industry. Sales of 1955 models are surprising both dealers and manufacturers. And buyers more often than not want the best. They insist on automatic transmissions, power steering, power brakes and the latest devices that are attached to new cars at extra cost.

Two-car families. There is an increasing demand for a second car in many families. About 72 per cent of the country's 48.5 million families have cars. And, of these, nearly 12 per cent have more than one car. Back in 1948, only 4.8 per cent of the car-owning families had more than one car. Lester L. Colbert, president of Chrysler Corporation, suggests that, in years ahead, the three-car family may be commonplace.

What's happening in automobiles also is taking place in other fields. Almost all homes have had radios for the last 10 years. Today, however, almost all homes have two or three radios. The Department of Commerce estimates that there are 120 million radios in the 48.5 million American homes. And still radios continue to sell. People want the latest improved models.

Electric refrigerators in use total 41.4 million, representing nine tenths of all homes wired for electricity. Yet refrigerators continue to sell in large volume. Families are finding a use for more than one refrigerator. Others discard an old one to get a new model, with more freezing space or better arrangements. And so it goes with washing machines, electric irons, electric toasters and other gadgets. Television is a postwar development, but today 33.2 million television sets are in use. Color television now is coming along to give another large boost to sales.

Also coming up are relatively new gadgets to bring added comfort to living, such things as home air-conditioners, automatic dish washers, electric blankets, home freezers, automatic ironers and dryers to go along with washers.

Perpetual prosperity? The idea is taking hold that the American family can be induced to keep on buying, year after year, and thus keep factories busy and the country prosperous.

Certainly the American public's appetite for goods has demonstrated a tendency to grow in recent years. In terms of "constant dollars"—based on 1953 prices—consumers in the United States spent 170 billion dollars for goods and services in 1945 and now are spending at a rate of 242 billion dollars a year. Outlay this year, after adjustment for price changes, is running 8 billions a year ahead of last year.

To support this huge and growing demand, the American people, in the aggregate, have a sharply rising total income. This year, after taxes, people's total income is running at a rate of 260.5 billions a year—a gain of 7 billions over 1954 and of more than 10 billions over 1953.

More debt. In addition, the people are plunging heavily into debt to get the things they want. They are borrowing to buy homes, automobiles, furniture and appliances and common stocks. They owe about 72 billion dollars on the homes they are buying and almost 23 billion in installment debt. In fact, just to meet the payments on past purchases of consumer goods, American families are paying out about 12 per cent of their after-tax income.

It is this sharp rise in debt that is raising some doubt about the "new era" feeling that now prevails. The Federal Reserve Board, by twice raising margin requirements on security purchases, has flashed a signal that stock-market speculation may be unwise. Automobile dealers met last week in Washington to consider the effects on future business of the sharp rise in auto-installment debt. Government housing officials have warned their field offices to keep a sharp eye on mortgage borrowing in their areas.

These are all signs of concern that the present boom, like most booms of the past, may get out of hand. But, for the months immediately ahead, the feeling is general that good times will prevail.

—USN&WR Photo

1955

Why people are getting that "new era" feeling

For everybody: Pay is good, jobs are plentiful, money easy to borrow.

For young people: Marriage is attractive, new houses easy to buy, gadgets appealing.

For old people: Pensions can be had by almost all, lifetime security is assured.

For wage earners: Unemployment is insured, unions protected, a floor put under wages.

For farmers: Many prices are supported, loans made easy to get.

For depositors: Bank deposits, building and loan deposits are insured.

The result is this

Worries are few, confidence is high and rising, after 17 years of nearly full employment.

Big families again are fashionable, adding to total demand for goods.

Debt is the vogue, with borrowing heavy to buy new cars, new homes, new gadgets.

New goods, latest models of cars, houses, gadgets are grabbed up, older models discarded readily.

A lifetime of security and stability tends to be taken for granted.

Hidden dangers that may develop from that "new era" feeling

An idea spreads that the only direction is up for real property, securities, wages.

Overborrowing tends to develop in the purchase of new cars, new houses, new appliances.

Savings tend to flow more heavily into securities that can go down as well as up.

Economic machinery then tends to get out of gear at some point, fear displaces confidence for some people, borrowing seems less desirable, caution more desirable.

AT THAT POINT:

One more "new era" ends. Values get reappraised, corrections are forced, before the trend starts back to the next "new era."

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Your Boy's Chance of Being Drafted

Pretty Slim—but Threat Boosts Volunteering

Draft isn't the sure thing it once was. Now, it's 15 to 1 a boy will not be called against his will.

New draft law will not change the odds. Volunteers fill most needs of the armed forces.

Still, draft rules are under fire. Draft boards, by law, call older youths first. This often means married men and fathers. Younger boys are passed over, including many asking to be called.

This is to be the strange story of the vanishing draft. It concerns youths of draft age and parents of youths wondering about the chance that their boy may be drafted.

Recently, officials in Washington announced that 10,000 youths would be taken by draft in the month of June.

This announcement once again raised the picture, as it does each month, of draft boards combing the lists, tapping for service youths in every nook and cranny of the land.

Everywhere there has been the feeling that no youth of military age, physically fit, could avoid service.

In actual fact, the story is becoming very different from that.

A call is out for 10,000 men to be raised in June. The fact is, however, that at least 5,000 of the youths to fill this call will be those who step up voluntarily to enter service ahead of an order for involuntary induction. The number of volunteers actually may reach 7,500, on basis of experience in recent months.

No more than 2,500 young men thus may be ordered involuntarily, or drafted, into service in the month of June. This is fewer than one man per draft board, on a national average.

There will be entire States in which no youth is taken by actual draft, if, as expected, experience in months just ahead follows trends now running.

In such States, no youth will be drawn into military service who does not decide, on his own motion, to enter military service at this time. By law, all who volunteer to get their two years of service over with must be taken ahead of those who are ordered to be inducted by the draft board.

No change in this draft prospect is involved in the proposed extension of the draft law to 1959, which the Senate is about to consider.

In some areas, draft boards have a three-month supply of volunteers backed up, waiting their turn to get into the "draft" quotas. Most of these youths are 18 and 19 years old, physically fit, unmarried, willing to go.

It is this situation that gives rise to the picture of a vanishing draft.

HOW DRAFT DIFFERS— For U.S., Its Allies and Enemies

	Draft Age	Required Service (in months)
U. S.	18½	24
Britain	18	24
Russia	16	24 to 60
China (Communist)	Unknown	Indefinite
China (Nationalist)	18	Indefinite
France	19	18
Turkey	20	24
Greece	21	18
Italy	18	15
West Germany	Draft plans being made	
Spain	20	15 to 18
Portugal	20	22
Belgium	18	18
Denmark	20	15
Netherlands	18	18
Norway	19	16
Sweden	20	10
Switzerland	19	4
Yugoslavia	19	24
Japan	Depends on volunteers	
North Korea	17	Indefinite
South Korea	18	Indefinite
Philippines	20	10
Australia	18	3
New Zealand	18	3
Thailand	20	24
Pakistan	Depends on volunteers	
Canada	Depends on volunteers	

Source: Defense Department

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A boy's chances. Even without the growth in the number and importance of volunteers, the draft was entering a period of drastic change—one that offered strange contrasts.

- In the manpower pool of this country, which includes all males aged 18½ through 25, there will be in the year starting July 1 a total of 1.8 million men who are physically fit and draft-eligible.
- Draft calls now are being limited to 10,000 men per month, or 120,000 in a year.
- On the basis of mathematical averages, chances are 15 to 1 that your boy is not to be drawn in, against his will, by the present draft even if the number volunteering for the Army, through their draft boards, declines.

If all volunteering slows, including career enlistments in the Air Force and Navy, those services conceivably might have to turn to the draft.

Another factor that might alter the draft outlook, increase the mathematical chances of being drafted, is the impact of any National Reserve plan. Under one Reserve plan that Congress is considering, there is the possibility that from 100,000 to 250,000 youths might be drawn out of the manpower pool each year for a special six months' training deal, leaving fewer men to meet draft calls and volunteer-enlistment quotas.

It is the present prospect, however, of a light actual draft that's beginning to be widely noticed.

Older men first. Along with the realization that the draft is diminishing to the vanishing point in some places is an awareness of another quirk in the draft setup.

This quirk is the fact that the real draft, of involuntary calls to duty, centers now on older men and tends to bypass those in the 19-to-22 age bracket, where draft calls used to be heaviest.

The cause is a combination of two things: a big rise in the number of youths available, as compared with military demand for men, plus a rule that forces draft boards to take the oldest man first in filling any involuntary draft quotas.

The armed forces numbered nearly 3.6 million men in 1952. In 1956 they will be down to 2.9 million. That means they will need about 700,000 fewer youths next year than they needed four years earlier. The process of reduction in the size of the armed forces may not be over yet.

Draft Outlook for Year Ahead:

A CALL FOR 1 YOUTH IN 15

In Year Starting July 1 —

Draft Boards Will Have Available: 1,790,000 able-bodied youths
(820,000 left from current year, plus 970,000 reaching draft status in coming year)

Draft Boards Will Call: 120,000 youths, to meet estimated Defense Department draft quotas

Draft Rate Will Average: 1 Call Per 15 Physically Fit Youths*

Draft Calls Will Hit:
- **FIRST —** *In the group of 40,000 men aged 25 or older*
- **NEXT —** *In the group of 15,000 men aged 24*
- **THEN —** *In the group of 27,000 men aged 23*
- **FINALLY —** *In the group of 250,000 men aged 22*

Draft Calls Will Miss: Most of the 1.5 million youths on draft rolls under age 22

*Assumes 380,000 youths enlist voluntarily, as estimated by Defense Department.

Basic Data: Defense Department and Selective Service

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At the same time, the number of youths reaching military age is on the rise. The annual "inflow" of new draft-age youths began to increase in 1954, and there will be more and more of these new youths to supply manpower needs every year through 1960—and beyond.

The upshot is that youths are piling up on the draft rolls in many local-board areas. And under the rule of "oldest man first," which is written into draft law, the local boards must skim off a constantly growing layer of older men.

Youths of 18 or 19 just coming out of high school, or in the first year of college, may never have to enter military service as a result of the new situation now arising.

Yet, men in their middle 20s, and older, are getting careful screening by draft boards. These older men may not look as desirable, in the military view, as youths of 19 and 20. But they are draft-vulnerable and many will be called at a time when thousands of younger men appear to be sidestepping service.

Contributing to the draft of older men are a number of rules adopted over past years to make sure that nobody escaped service easily. One example is the rule that men who become fathers after Aug. 25, 1953, remain subject to draft. That was adopted by White House order to catch the college youths who were getting married and becoming fathers after winning education deferments.

Another example is the rule that extends draft liability through age 34 of any youth deferred after June, 1951, for any reason. That, too, is aimed at college students. Normal cutoff date for the draft is the 26th birthday.

Already, about 19,000 men have been declared liable for the draft until they reach age 35.

Operating by the rules, draft boards around the country have been picking up more and more men in their late 20s, and even some in their 30s. Many have families, businesses or farms. But, despite all pleas for deferment, they are being called if physically fit—while, in other areas, unattached youths with no responsibilities cannot get into service as quickly as they would like.

Farmers and college graduates. Drafting of these older men has caused intense dissatisfaction among some Congressmen, especially those from farm States. They cite cases occurring last winter and this spring where farmers nearing 30 had to sell out and leave their farms to answer draft calls, while many younger men in the same areas were being deferred.

Another effect of the rules is that youths graduating from college now are in the group most likely to get caught by the draft, since most of them are 22 to 24 years old.

If youths under 20 continue to volunteer for active service in sufficient num-

[continued]

YOUR BOY'S CHANCE OF BEING DRAFTED

bers, many college graduates of 1955 will not be subjected to actual draft calls. But graduates who do not get their duty over with face the knowledge that the threat of draft calls may hang over their heads until they reach age 35. That threat can interfere with job opportunities, advancement in careers, marriage plans, home buying.

Uncertainty among college graduates over what to do, whether to volunteer or take a chance on the draft, is just one more of the draft's growing problems.

Another aspect of the draft, as applied to college graduates, is the fact that it can further aggravate a shortage of scientists and engineers.

Some industry and science leaders have argued against a policy that forces drafting of trained men, when younger and less skilled men are available. But Congress has felt that it is only fair that the college graduates, many of whom were deferred through the Korean war, ought to serve some time.

Outlook ahead. As things are going now, the draft outlook boils down to this:

• Some type of draft law is certain to stay on the books. The House passed, by a huge majority, an extension of the basic draft law until 1959. It was due to expire, unless extended, on next June 30.

The Senate is expected to approve the same measure, soon. An active draft system, able to produce millions of men in a hurry, is regarded by Congress as essential in this period of uneasy peace, even if that system must operate at idling speed most of the time.

• Changes in the draft system itself will be minor. The House O.K.'d a move to end draft liability at age 26 for any man turned down by an Army induction center as unfit. This will end draft problems for quite a few older men classified as 4-F but, by present rules, under threat of the draft until 35.

The House also offered draft exemption to any youth who enlists in the National Guard and serves until 26. A third House-approved change would make it clear that a draft board can defer a farmer even if he is producing a surplus commodity such as wheat.

The Senate is expected to go along with all these changes.

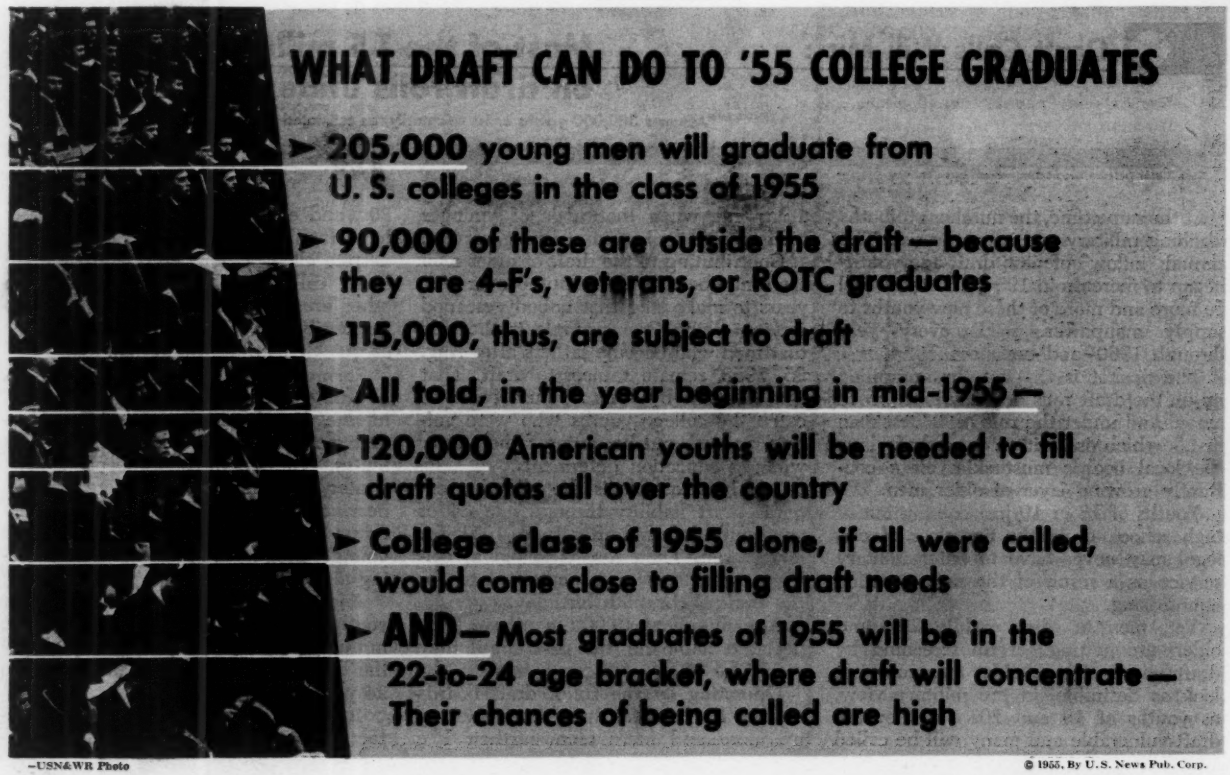
• Main effect of the draft, barring war, will be to spur voluntary enlistments in the armed forces. Military authorities are calling for a certain number of "draftees" each month.

The fact that up to three fourths of the "draftees" are actually volunteers is no proof, these officials say, that they could get the same number of volunteers without a draft in the background. They say that voluntary enlistments failed to support a much smaller Army in 1948 and 1949.

• Chance of draft, for any individual, will lessen gradually. For youths now under 20 years of age, there will be a constantly rising chance of avoiding draft entirely, barring war.

Because of strict rules, however, the draft will still be able to catch a youth when he least expects it, and long after he is past the normal military age. For that reason, thousands of youths will elect to take their "draft" service now. Other thousands, attracted by new pay scales in the armed forces, will continue to volunteer for career enlistments.

• A system of voluntary enlistments in a Reserve setup may materialize, although that is far from certain. If it does, it will offer—on a voluntary rather than "draft" basis—an opportunity for a youth to satisfy his military obligations with a short stint of active training, plus some years of part-time Reserve duty.


WHAT DRAFT CAN DO TO '55 COLLEGE GRADUATES
► 205,000 young men will graduate from U. S. colleges in the class of 1955
► 90,000 of these are outside the draft—because they are 4-F's, veterans, or ROTC graduates
► 115,000, thus, are subject to draft
► All told, in the year beginning in mid-1955—
► 120,000 American youths will be needed to fill draft quotas all over the country
► College class of 1955 alone, if all were called, would come close to filling draft needs
► AND—Most graduates of 1955 will be in the 22-to-24 age bracket, where draft will concentrate—Their chances of being called are high

—USN&WR Photo

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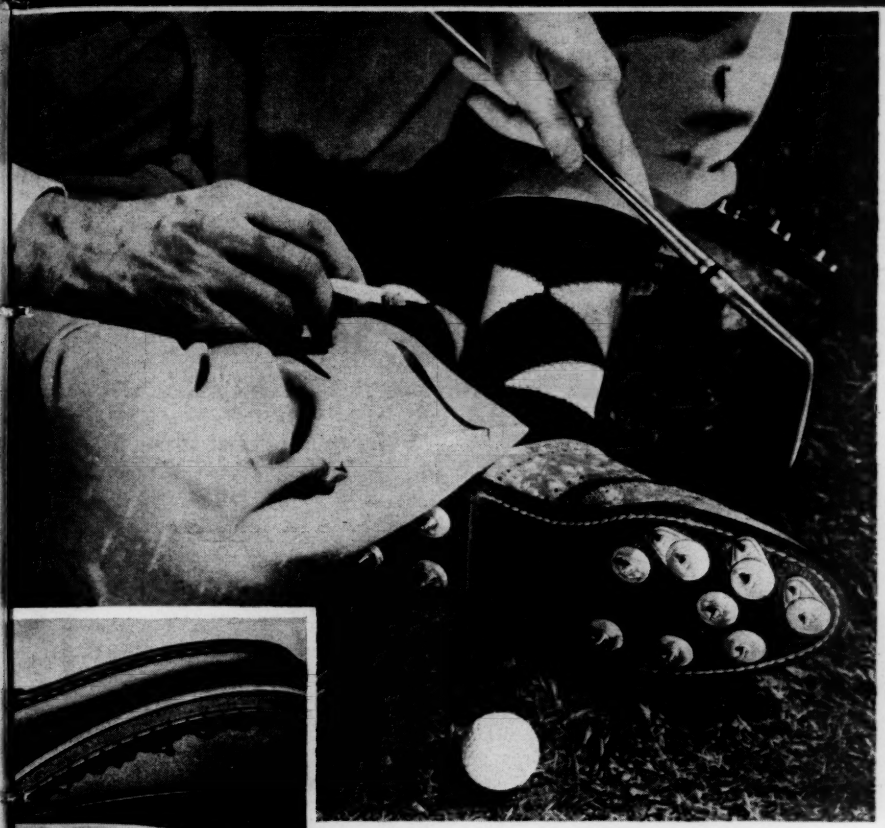
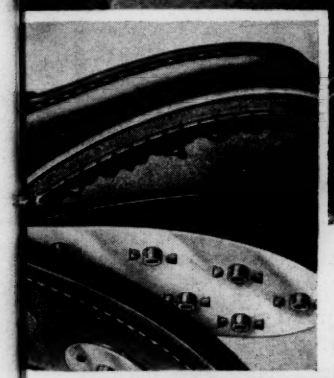
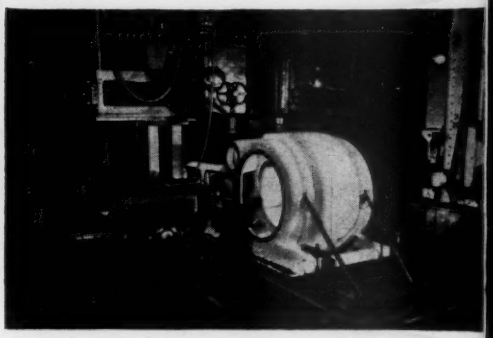
Only STEEL can do so many jobs so well





Steel Diet For Golf Shoes. If you play 18 holes of golf on a normal course, you take about 12,000 steps, so a light shoe is very important. The world's largest golf shoe manufacturer found a way to reduce weight by 1/3—by *adding* steel construction. The spikes screw into an inner sole plate made from USS Stainless Steel. The resulting shoe is feather-light, flexible as your foot, and you never feel the spikes.

Wheat Suffocation. Stored wheat needs a lot of air, or it will mildew and rot. Giant-sized USS American Quality Springs are covered with Cyclone Insect Screening to form tunnels through the wheat piles. Air is pumped through under pressure to ventilate the wheat, and keep it sweet and dry.



Thousands Of Horses... Coming Up! It takes gasoline to get the horsepower out of your automobile, but first it takes horsepower to get the gasoline out of the ground. Shown here is the power frame for a gigantic "Oil-well" slush pump that utilizes nearly 1,000 input horsepower to force mud down into an oil well while it is being drilled. United States Steel makes a complete line of oil drilling, production, pipe line and refining equipment.

Hard As Steel, Soft As Rubber. The wheels of most trolley cars have a hard steel rim, but they are fastened to the hub with a band of tough rubber. These Resilient Steel Wheels, supplied by United States Steel, last longer and ride easier than solid steel wheels.

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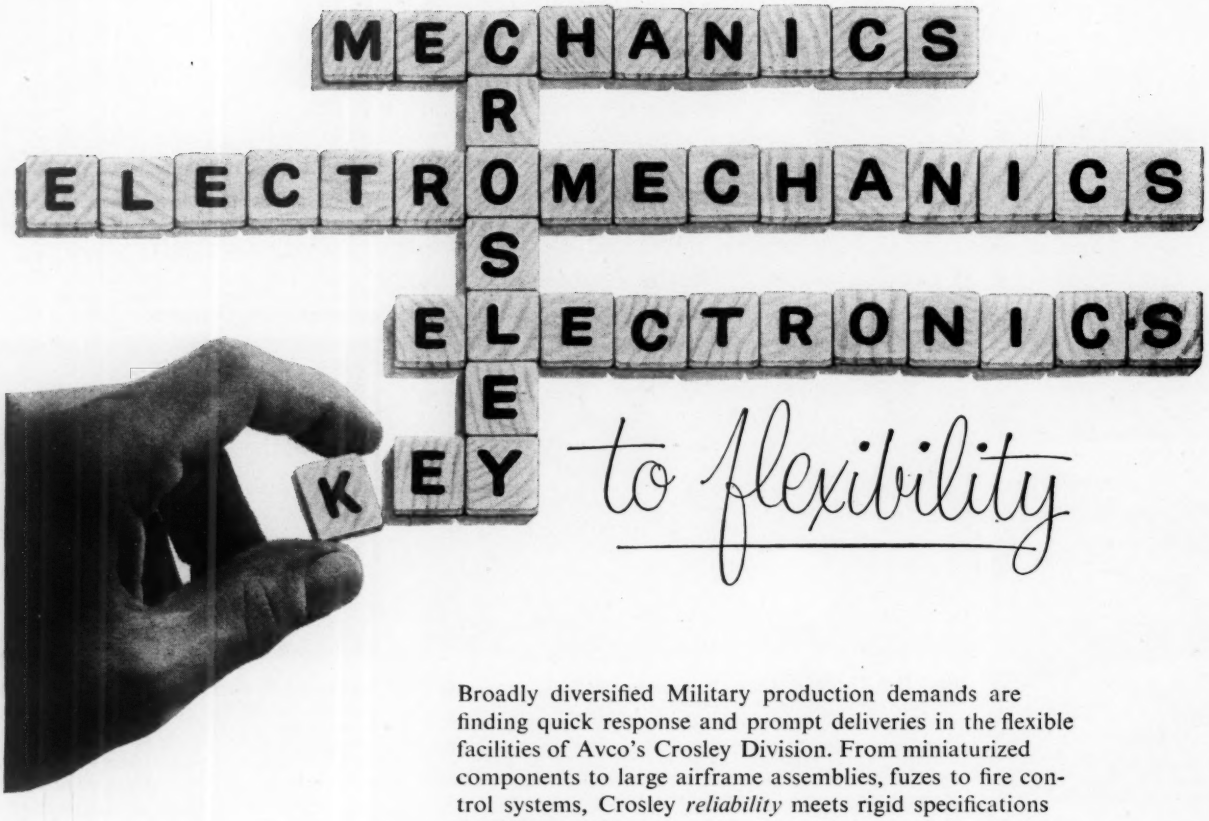

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DEFENSE AND INDUSTRIAL PRODUCTS

THE POLIO STORY— IT BOILS DOWN TO THIS

It is possible now to answer new questions that keep arising in parents' minds about the Salk polio vaccine. Official word is this:

• Vaccine formula really is safe. Latest facts confirm this view.

• Inoculation of children in the first and second grades should and will continue.

• Vaccination program, at the outset, was rushed, perhaps a bit too much. New precautions are to be taken against the possibility of another flare-up.

In the questions and answers that follow, you get the latest word from authorities, in and out of Government.

Is it possible now to say that the Salk vaccine against poliomyelitis is really safe?

That's the official view.

President Eisenhower says he believes "absolutely" in the vaccine. He says he is glad his 7-year-old grandson, David, was inoculated in the school program. He also predicts that, in time, the vaccine will wipe out crippling polio in the United States.

Dr. Leonard A. Scheele, U. S. Surgeon General, asserts he has "complete faith" in the vaccine.

Well, then, what about all the cases of polio among vaccinated children?

Figures show that the sudden flare-up of polio cases among first and second-graders getting the shots now is tapering off. In, roughly, the first two weeks after the vaccination program began, 41 cases were reported. In the two weeks after that, up to May 13, an additional 23 cases developed.

Isn't that still a lot of polio?

Actually, the total number of polio cases during the vaccination period this year isn't much greater than the total in the same period last year. And the rate of cases among vaccinated children this year is much less than among vaccinated children in last year's trials, for the same period of time.

Dr. Scheele points out that there is no epidemic, no cause for alarm.

If the vaccine is safe, why was the program held up?

The idea, as Dr. Scheele explains it, is for the Government to lean over backward to seek safest possible standards.

Most of the polio cases showed up among children receiving vaccine made by Cutter Laboratories, of Berkeley, Calif. Out of the total 67 cases reported up to May 13, 55 children had been "shot" with Cutter vaccine. That company's vaccine was immediately ordered withdrawn from further use. As a precaution, a look was taken at other manufacturers' processes.

Was anything wrong discovered?

Technical experts called in by the Government to study the situation found minor differences among the companies in manufacturing and testing procedures. They made a number of suggestions. With that, Dr. Scheele strongly recom-

DR. SALK WITH DR. SCHEELE

—United Press, Nat'l Foundation for Infantile Paralysis

POLIO SERUM GETS A MICROSCOPIC EXAMINATION

The Surgeon General says he has "complete confidence" in the Salk vaccine

mended to State health authorities that the vaccinations be delayed for a plant-by-plant double check of standards.

Will the delay destroy the value of the first shots for children who have received them?

Dr. Jonas E. Salk, the vaccine's developer, says a short interruption in the program will make little difference in the shots' immunity-building effect. If anything, a longer period between the first and second shots may be helpful. For best results, Dr. Salk believes, the interval should be no shorter than two to four weeks but both shots should be gotten in before the peak of the polio season.

Does the delay mean second shots now will be given nearer the polio season, and thus increase the risk of getting polio?

Not necessarily. In some areas, second shots will come at a time when polio is more likely to be around. But the official view is that the benefits to be obtained from the vaccine's immunity far outweigh the risk involved in continuing the shots.

Will there not be some children who will get polio?

Some cases of polio can be expected among children even after the second shot. Authorities are convinced, though, that this will not be the fault of the vaccine.

They point out that the vaccine's full immunity isn't in effect until after the third shot, due in seven months. The first two thus can't be expected to give complete protection. Also, they add, the vaccine at best was shown in last year's trial to be only 90 per cent effective. The present vaccine, however, is believed to be more effective than the one used then.

Must every child go through the whole procedure again next year?

No. It isn't yet known how long the immunity provided by the Salk vaccine lasts. But it is certain that the three-shot series will not have to be repeated. Single booster doses, at intervals, may be required.

How often will they be needed?

That can't be told yet. Present tests show that the immunity declines very slowly. Children vaccinated two and a half years ago by Dr. Salk still have a high level of polio-fighting antibodies in their systems.

Is the vaccine now in the hands of doctors and health officials safe?

The plant-by-plant checkup is to show if there has been any error in the method of producing and testing these supplies. On the basis of what the Government inspection teams find, vaccine already distributed, but not yet used, is being passed upon and released for use.

Will the fact that it hasn't been used promptly make the vaccine now in doctor's hands less potent?

No. The vaccine, stored in a refrigerator, remains good for six months.

The Vaccine Mixup—Play by Play

APRIL 12—
Salk vaccine pronounced safe and effective; six companies licensed to make it.

APRIL 16—
First shots given in schools.

APRIL 27—
Six polio cases reported among children receiving vaccine; supply from one company ordered withdrawn.

APRIL 29—
Panel of polio experts called to study situation.

APRIL 30—
More cases reported; Surgeon General Leonard A. Scheele of U. S. Public Health Service sees "no reason" for stopping program.

MAY 1—
Some States decide to hold up vaccination.

MAY 6—
Dr. Scheele tells Congressmen that program should continue; he reveals PHS is temporarily holding up further deliveries from manufacturers.

MAY 7—
Temporary suspension of vaccination program, pending advisory panel's report, is suggested by Dr. Scheele.

MAY 8—
Dr. Scheele recommends suspension be extended to permit review of manufacturing and testing process; he repeats faith in vaccine.

MAY 9—
Some States elect to continue shots.

MAY 11—
Team of Government scientists begins plant-by-plant checkup.

MAY 13—
PHS starts releasing vaccine.

Is it possible now to explain why so many cases of polio developed among children receiving the vaccine from one company?

The evidence still isn't conclusive. More weeks of the kind of exhaustive follow-up that went into gathering the facts for last year's vaccine evaluation still must come in the Cutter-vaccine cases.

Some officials close to the picture suggest the likelihood of an accidental contamination of a small amount of Cutter vaccine. In the manufacturing process, a tank of polio virus is "killed" with chemicals, tested, then bottled. Tests have not shown that anything was wrong with the Cutter batches involved. Somewhere, then, between the testing and bottling, these officials speculate, some of the vaccine may have become contaminated with live polio virus.

Can such a thing happen again?

That is unlikely. Standards set up by the Public Health Service for manufacture and test of the polio vaccine are as stiff as those that have proved adequate for other biological medicines in the past. They were based on test experience with manufacture of vaccine for the 1954 trials, but are not as rigorous as standards used then. The Public Health Service believes them to be adequate. It is possible, however, that the plant-by-plant study now going on may turn up a need for changes.

Why were only six companies licensed to make the vaccine?

Manufacturing any vaccine is a complicated process. The polio vaccine is one of the most difficult ever put into production. Few firms in the U. S., Dr. Scheele explains, have the technical competence or equipment needed. "Six firms were in a position to do it, and they are doing it," he says.

Was the vaccine pushed into use faster than was justified?

President Eisenhower, admitting that he was just "speculating," said Government scientists may have tried to "short-cut a little bit" on safety tests in hurrying the program. Now, the President said, the Government is having to go back to double-check.

The National Foundation for Infantile Paralysis takes the view that pressure was justified. Admittedly, there was risk that vaccination would run neck and neck with the polio season. But the alternative, it says, would have been to delay until next winter—and to count a toll of thousands of polio cases that now may in large part be prevented.

Wasn't there an unfortunate experiment with a polio vaccine some years ago?

Yes. In 1935, six children died and six were paralyzed.

How does the Salk vaccine differ from that used in 1935?

In 1935, two vaccines were tried. One was made from virus killed with chemicals, the other was a live virus supposedly "tamed" by laboratory treatment.

The Salk development is a killed-virus vaccine. Unlike the ones in 1935, it is made from strains of all three types of polio virus. Also, virus for the Salk vaccine is grown in monkey-kidney tissue; in 1935, the source was monkey spinal cords, now considered a medium harmful to humans.

Is the virus used at present completely killed?

Dr. Scheële says "inactivated" is a better word. The virus is treated so that the amount left alive cannot cause polio. Nor can it be detected by laboratory test or by injection in monkeys. But there still is some potency left—otherwise it wouldn't create immunity.

Isn't such a vaccine dangerous?

In a sense, all vaccines are dangerous. All of them work on the principle of giving an individual a little bit of the disease to cause immunity, but not enough to cause illness. The National Foundation for Infantile Paralysis takes the view that the record in the 1954 tests, plus experience so far among 5.5 million vaccinations this year, proves the Salk vaccine's safety.

What happens if a child is exposed to polio after getting the second shot?

There is evidence that such an exposure might act like a "booster shot." In other words, it would have the same effect in building protective substances in the blood as does a third shot seven months later.

This does not mean, however, that two shots offer complete protection against polio.

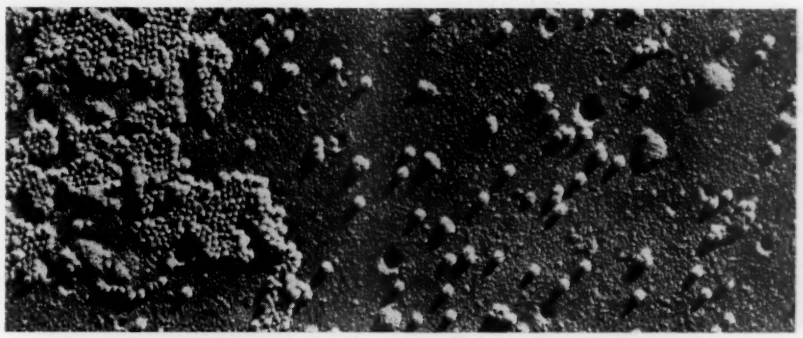
Will the checkup delay be a serious blow to vaccine production?

Pharmaceutical companies did not call a halt to manufacture of the vaccine. What was stopped was approval by the Public Health Service of any further batches, pending the plant-by-plant survey. No biological can be distributed for use without this approval. Thus there is a pile-up of vaccine at the laboratories.

But isn't that going to cause trouble?

Inevitably, lifting of the Public Health Service recommendation will mean difficulties in clearing the pile-up for distribution. Some vaccination programs may be delayed, some shortages develop. But Dr. Scheele believes that by mid-August there will be enough to give the first two injections to all children in the most susceptible ages, 1 to 9 years old.

For President Eisenhower's comments on the polio vaccine, see page 32.



LATEST ON POLIO SCARE

In the four-week period to May 13—5.5 million U. S. children were given Salk vaccine; 67 of these came down with polio; 5 died.

Where the 67 cases occurred

California	24	Pennsylvania	2	Illinois	1
Idaho	14	West Virginia	2	Indiana	1
Texas	4	Wyoming	2	Mississippi	1
Louisiana	3	Colorado	1	Missouri	1
Nevada	3	Connecticut	1	New York	1
Oregon	3	Georgia	1	Washington	1
		Hawaii	1		

Source: U. S. Public Health Service

—USN&WR Photo

YOUNGSTER GETS HER FIRST SHOT
A delayed second injection will still be effective

IKE ON SALK VACCINE: IT WILL "ELIMINATE" POLIO

Following are extracts from the President's press conference of May 11, 1955, with the President's answers authorized for direct quotation by the White House:

James B. Reston *(New York Times)*: Mr. President, in view of the confusion over the polio vaccine, sir—

The President: Yes.

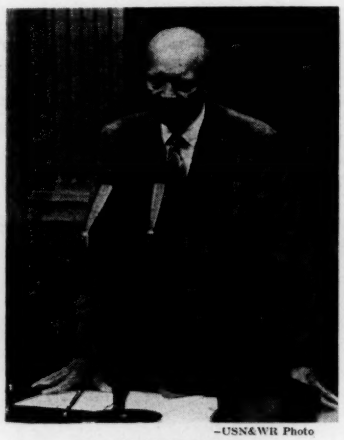
Mr. Reston: Would you give us your views as to where the responsibility lies in this situation? Is there a Government responsibility?

The President: Well, there is certainly a Government responsibility to take leadership in this thing and see the thing goes ahead as fast as it possibly can. Now, every conference I have had has been that the firms have co-operated perfectly. They have no—the firms making this—they have no complaint whatsoever.

The entire amount of this product is contracted for by the Foundation [National Foundation for Infantile Paralysis]. There will be no other orders filled of any kind until that contract is completely fulfilled.

I believe it is either until all children from 5 to 9 are vaccinated, or until a given date some time in the future, whichever is earlier, I think.

I would say this: By some time later this week, during the week, I will have the final report of all the agreements, all the recommendations of the advisory board and the Secretary of HEW [Oveta Culp Hobby, Secretary of Health, Education, and Welfare]. By Monday or Tuesday I ought to be in shape to determine if there is any more action of any kind that I am expected to take.



–USN&WR Photo

THE PRESIDENT

Mr. Reston: The question that is being asked, certainly the question that our mail reflects, is why many of these things that are now being done were not done before all the hoop-la about the original announcements in April.

The President: I think it was merely because of two things: the great pressure to bring this out as quickly as they believed—had any reason to believe—it was a useful and effective product, and therefore that some of the exhaustive tests through which such a product normally goes, probably they tried to short-cut a little bit, I don't know. The report will have to show. I am not a scientist, as you well know.

° ° °

Merriman Smith (United Press): Mr. President, you used a phrase two questions back on that, "they probably tried to short-cut a little bit." To whom are you referring, sir?

The President: I meant that the scientists in putting this out probably thought that they had used all of the regular methods, but probably didn't use some of the more exhaustive ones that they may think now should be double-checked.

I don't—Look, I am speculating on that particular point. I say I haven't got my report, and I am not making any statement that is to be taken as authoritative on that point, but they have stopped the vaccinations while they take a double check on something. Now, what that is, I am not sure.

° ° °

Martin Agronsky (American Broadcasting Co.): Mr. President, considerable misgivings seem to have arisen as to the efficacy of the Salk polio vaccine in a medical sense. Could you, from your knowledge and your conversations with the experts on this, tell us whether the U. S. Government still regards the Salk polio vaccine as able to do what everyone originally thought it would do; that is, prevent polio with 80 to 90 per cent of those who are injected with the vaccine?

The President: I believe it absolutely. I can't say what the Government—that's a lot of people. I know what I believe. I believe these experts. They are very competent and I believe it can do it.

Now there have been, I think, something like 52 cases of polio out of more than 5 million injections. [For later figures on polio cases, see chart on page 31.] Now, they want to find out merely whether these 52 cases had any relationship at all to the fact that they were injected, and they are trying to be doubly safe, and I applaud their caution in this matter. But I believe it just implicitly that this will, within a measurable time, really eliminate polio in this country.

Mr. Agronsky: Mr. President, it is not the medical theory that is in question here at all, it is merely the manner that the vaccine is being manufactured.

The President: Well, that is what I think.

° ° °

William M. Blair *(New York Times)*: Mr. President, over the week end the Surgeon General of the United States changed his position on going ahead with the polio Salk vaccine. Was that purely a medical decision, or was that a decision of policy within the Administration?

The President: Well, I don't understand any such question. I have discussed that two or three times this morning.

That was the doctor's opinion and his decision. The Government would know no more about the factors in this than this body would. What would you know what to do with such technical things? I wouldn't.

The doctors have to decide what to do in such a case. They decided it wasn't fair to go ahead until they checked more. That's all there was to it.

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B
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A Long-life abrasion-, sun-, and weather-resistant cover
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C Tube resists abrasion and corrosion

These Rubber Firemen Outwork Iron 3 to 1

WEARING problem at a large Eastern power plant was the cast iron pipe through which hundreds of tons of coal daily dropped from roof-top hoppers to pulverizers. The surprisingly abrasive coal chewed through the heavy pipe in a few short months. Added trouble came from frozen coal which sometimes clogged the lines.

Seeking an answer to the frequent, slow, costly replacement of pipe, engineers turned to the G.T.M.—Goodyear Technical Man—who specified DIVERSIPIPE—rugged, hand-built, *rubber* pipe. These flexible, steel-muscled "rubber firemen" greatly simplify installation, permit rapid rotation to distribute wear, even absorb sledge-hammer beatings to loosen clogged coal and serve *over three times as long* as the iron pipe.

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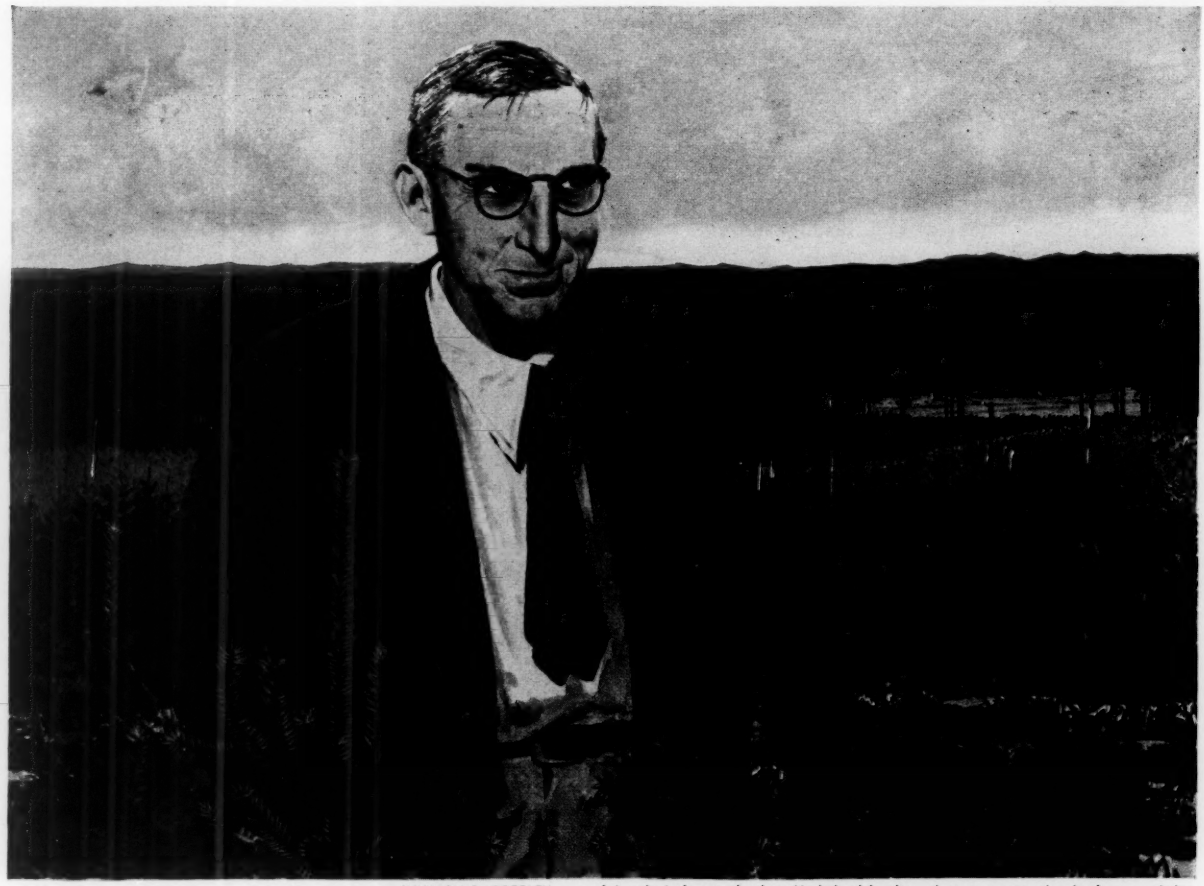
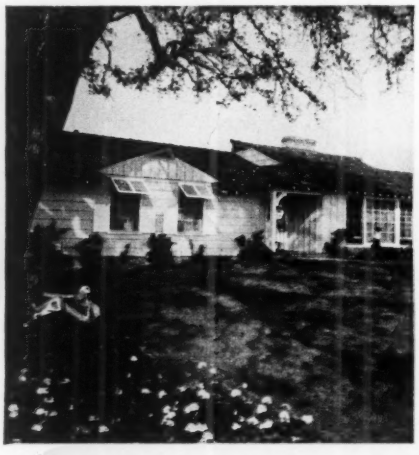


WILLIAM B. GREELEY, one of America's forestry leaders. He helped inspire *voluntary* conservation by farmers, timber owners and the public . . . including Keep America Green and More Trees for America movements. U. S. Chief Forester, 1920-28; manager West Coast Lumbermen's Assn., 1928-45; now Board Chairman, American Forest Products Industries.

pioneering the idea of voluntary forest conservation...

Wood is used in more than 4,000 products . . . from homes to paper, rayon, cellophane and tissues. There can always be wood for such uses from privately owned tree farms.



"True forest conservation can be accomplished more by the voluntary cooperation of individuals, rather than by law." Guided by this practical philosophy, Col. W. B. Greeley and many other thoughtful men of forestry have inspired exceptional progress in perpetuation of the nation's wood supply. It is the American way. It reflects more confidence in education and persuasion than in arbitrary authority. This faith has been rewarded by growth of the tree farm movement throughout the nation.

Today, about 6,100 industrial and farm woodland owners are *voluntarily* growing timber as a crop on 34 million acres certified as tree farms. And *voluntary* cooperation by the public, industrial foresters and government forest agencies is reducing forest fire losses, year by year.

Timber harvest and new timber growth are now practically in balance. Commercial forestlands are providing a permanent supply of wood for lumber, paper and chemical products. Weyerhaeuser Timber Company is among those who voluntarily manage forestlands for perpetual wood production. The full story of modern tree farming is interesting. *For more complete information, write us at Box A, Tacoma, Washington.*

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4-SQUARE

DO TALKS WITH RUSSIA PAY OFF?

Millions of Words—52 Agreements—50 Violations by Reds

New talks with Russia, on the Big Four level, are coming up.

What can the U. S. expect to gain in such talks? Not much, if the record means anything.

U. S. and Russia already have talked millions of words in thousands of meetings. Usually, no agreement has resulted.

When a major agreement has been reached, Russia consistently has broken that agreement. The record: 52 promises made, 50 broken.

This is why President Eisenhower agreed so reluctantly to meet the Russians again.

Ike will go into the new Big Four talks with his guard up.

In talks with the Soviets during the last 22 years, Americans have used up 106 million words—at a minimum.

Those talks, extending from 1933 to date, have taken place in some 3,400 meetings lasting at least 10,200 hours. The words of those meetings are enough to fill a library with 620 printed volumes of 400 pages each.

If recorded on long-playing records, the American-Soviet talks would require more than a year to play back, running night and day.

Out of the 106 million words of talk came 52 major agreements.

Of these agreements, the Soviets have honored only two—violated 50. One of the two agreements kept was that to enter the war against Japan, which involved only 14 days of Soviet fighting and yielded the Soviets vast booty. The other was the agreement to permit Western air corridors to Berlin.

—Ferman Martin

"THE WELL-BEATEN PATH"
. . . not much action

It's "try, try again." Now new talks with the Russians are to begin again, and the world is getting all excited.

This time it will be President Dwight Eisenhower talking with Soviet Premier Nikolai Bulganin. Sir Anthony Eden, Prime Minister, will represent Great Britain, and Premier Edgar Faure will talk for France. Plans call for the conversations to take place in Switzerland. The subjects to be discussed remain somewhat uncertain in scope.

No matter what is discussed in Switzerland, or what general agreements "in principle" may be reached by the Big Four, if history is a guide still other talks will follow. These subsequent talks will be at the so-called "ministerial level." The foreign ministers, in turn, will propose other talks at still lower levels. That has been the invariable pattern, and already this same pattern has been suggested for 1955.

Talking, once started, goes on until there is a specific agreement of some kind—or until it becomes obvious that no agreement can be reached.

Again, if history is a guide, the chances are 25 to 1 that any agreement reached will be violated by the Soviet Union. Those odds favoring a violation go up to almost a "sure thing" if it appears to Russia that there is more to be gained than to be lost by violating the agreement.

After 22 years of experience in dealing with Russia, it now is an axiom of American diplomacy that an agreement is a device used by Russia to tie the hands of the United States while Russia does what she pleases.

Guard is up. It is for that reason that President Eisenhower is expected to enter any new sessions of talk with his guard up. Mr. Eisenhower, among the Western chiefs of state, was the one who showed the least enthusiasm for initiating the new talks.

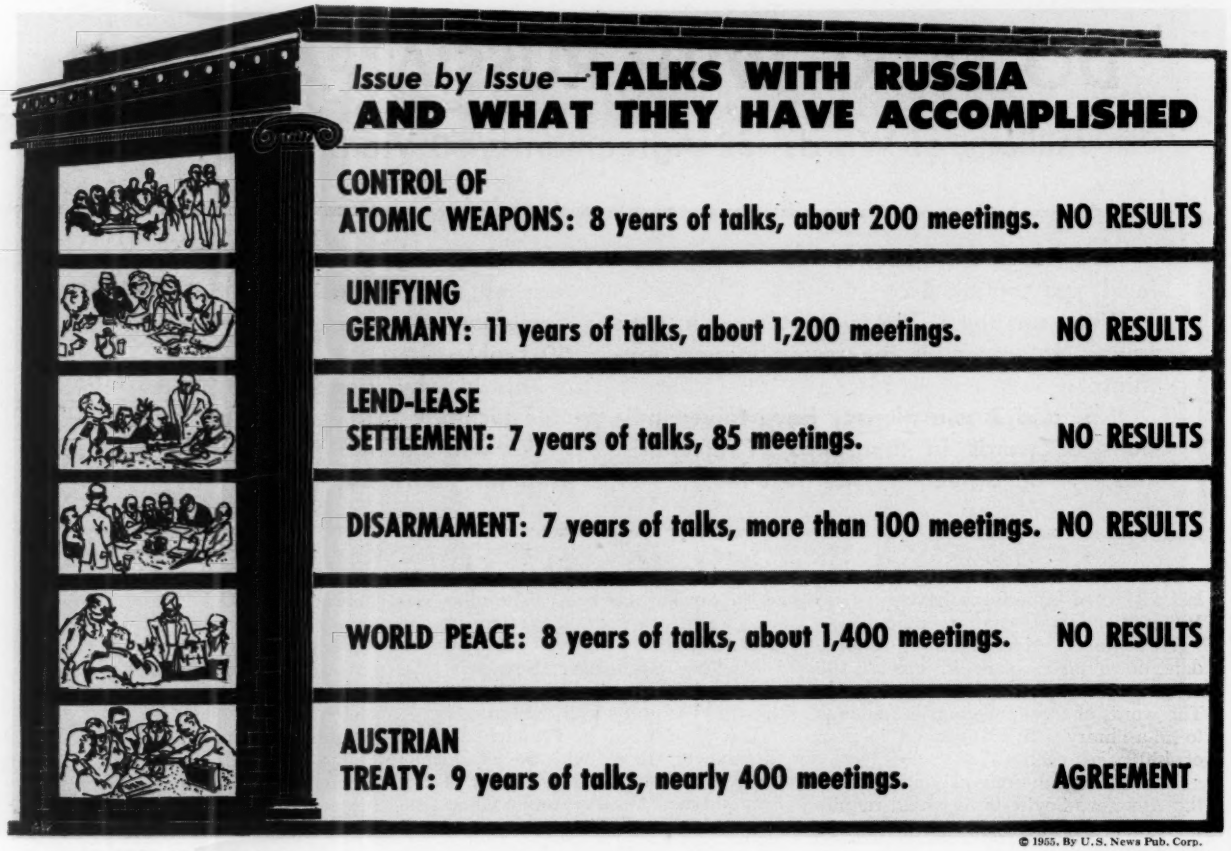
President Eisenhower has learned that talks with Russia are likely to turn into a marathon of words—and agreements, if eventually reached, are not likely to be kept.

The outcome of previous talks between Americans and Russians is summed up in the charts on pages 36 and 37. History also provides a guide for predicting the outcome of the talks ahead.

One subject of the 1955 Big Four talks is certain to be Germany. This

—Costello in the Albany Knickerbocker News

"THE PARROT-DOVE"
. . . words aplenty


Issue by Issue—TALKS WITH RUSSIA AND WHAT THEY HAVE ACCOMPLISHED
CONTROL OF ATOMIC WEAPONS: 8 years of talks, about 200 meetings. NO RESULTS
UNIFYING GERMANY: 11 years of talks, about 1,200 meetings. NO RESULTS
LEND-LEASE SETTLEMENT: 7 years of talks, 85 meetings. NO RESULTS
DISARMAMENT: 7 years of talks, more than 100 meetings. NO RESULTS
WORLD PEACE: 8 years of talks, about 1,400 meetings. NO RESULTS
AUSTRIAN TREATY: 9 years of talks, nearly 400 meetings. AGREEMENT

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country—which the U. S. and Russia conquered as allies—is now divided. It wants to be reunited. Western Germany, left under U. S., British and French occupation at the end of World War II, is now a sovereign nation. It is preparing to rearm on the side of the West. Russia hopes to block that reinforcement of Western strength.

Eastern Germany, under Soviet occupation, has become a Soviet satellite, a Communist police state. The West wants to join this region with democratic Germany; Russia hopes to extend Communist control over all Germany.

How these conflicting aims can be reconciled is probably the major question to be discussed by the Big Four.

The record shows, however, that the U. S. already has held 1,200 talks with the Russians about Germany.

What Russia reneged on. These talks date all the way back to 1944. They produced more than 43 million words—and many "agreements." Russia promised to treat Germany as a whole—then promptly sealed off its occupation zone. Russia promised to disarm Germany—and built up an East German semimilitary police force of more than 100,000 men. Russia promised to encourage all democratic parties in Germany, and to maintain freedom of speech and press. It banned all but Communist or fellow-traveling parties in East Germany, and suppressed democratic freedoms.

Russia promised to restrict its reparations from Germany, then proceeded to strip East Germany of plants and goods without any accounting. The Soviets promised four-power rule in Berlin and joint government of all Germany—then walked out of the Allied Control Council, set up separate Communist regimes in East Berlin and East Germany.

Russia promised free travel between Berlin and the West. It broke this promise with a blockade of Berlin.

The only major promise concerning Germany that Russia kept was one to provide the U. S., Britain and France with aerial corridors to Berlin.

World peace is another subject sure to be high on the Big Four agenda. This subject, too, is a familiar theme in Russian-American talks. In some 1,400 meetings, around 45 million words have been used in discussing peace.

"Apostles" of peace. In all these talks, Russians spoke incessantly for peace. After each, they returned to their constant policy of stirring up trouble.

The Russians made one big promise which, if kept, might have made all these peace talks unnecessary. In 1942, in a joint declaration with its wartime allies, Russia promised to seek no territorial aggrandizement. Since then, the Soviets have taken over control or domination of 11 countries, 750 million people.

Disarmament and control of atomic weapons are other subjects that come up repeatedly when Americans and Russians talk—and are likely to come up again in the talks just ahead.

History's record on these subjects shows more than 350 meetings, words in excess of 10 million—and no agreements.

First broken pledge. Russia began breaking its promises to U. S. as far back as 1933, before the ink was dry on the agreement by which the United States first extended diplomatic recognition to Russia's Communist regime.

In exchange for this recognition, Russia pledged:

"To refrain from interfering in any manner in the internal affairs of the United States."

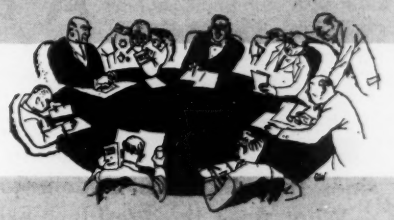
"To restrain all persons . . . under its direct or indirect control . . . from any agitation or propaganda having as an aim

New Talks With Russia?

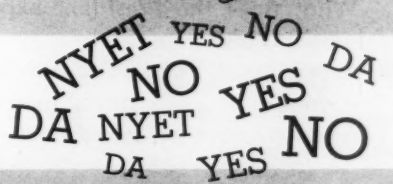
WHAT 22 YEARS OF U.S.-SOVIET TALKS HAVE PRODUCED

Since 1933, on major issues, U.S. and Russia have come together in 3,400 meetings*

*Not including truce talks in Korean war or Indo-China conflict, where Russians were in background.



In these meetings, negotiators have spoken 106.5 million words



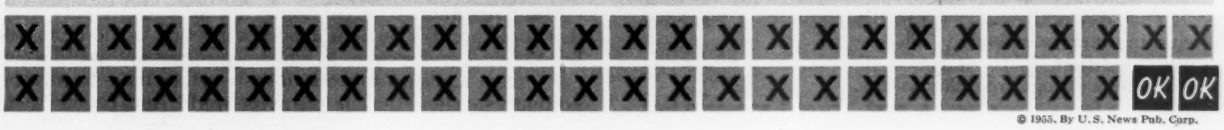
ALL THIS TALK has led to 52 major agreements

***Of these:* Russians have broken 50 agreements**

Russians have lived up to 2 agreements—

(1) to enter the fighting against Japan in World War II

(2) to permit the Western Allies aerial corridors to Berlin



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. . . the bringing about by force of a change in the political or social order . . . of the United States."

"Not to permit the formation . . . on its territory of any organization . . . which has as an aim the overthrow . . . of the United States."

Within a few months after these pledges were made, Secretary of State Cordell Hull was reporting "evidence tending to show violation of the pledges." Within a year, the U. S. Ambassador to Russia was talking of severing the new diplomatic relations if the violations continued. The Soviet record, ever since 1933, is replete with instances of active plotting to undermine the Government of the United States.

Other broken pledges. On agreements concerning other nations, the record of the Soviet Government in violating pledges to the U. S. is equally bad—or worse.

Repeatedly, from 1942 until 1946, Russia promised to guarantee freedom and free elections in Hungary, in Bulgaria, in Poland, in Czechoslovakia, in Rumania. Result: All these countries wound up with Communist dictatorships.

Russia promised to take no final action on Poland's western border until a peace treaty was signed. Almost as soon as the fighting ended, Poland's western border was moved far westward into Germany.

Russia promised to support the Chinese Nationalist Government of Chiang Kai-shek and to restore Manchuria, Formosa and the Pescadores to Chiang. Here's how these promises have been broken: Russia backed Chinese Communists in overthrowing Chiang's regime, and continuously since then has supported the Chinese Communists.

Russia promised freedom for Korea. Instead, Russia set up a Communist puppet in Korea's northern half, then masterminded an attempt to take the rest of Korea in war.

Russia promised independence and a nation-wide democratic government for Austria, then sabotaged the national Government for years, and only now, after 10 years, has dropped impossible demands and agreed to an Austrian peace treaty.

Russia pledged to repatriate all German war prisoners. It held millions for years, still holds thousands.

Promise that paid off. The one really big promise that Russia kept with the United States was one that yielded the Russians profits out of all proportion with the cost involved: Russia's pledge to go to war against Japan, once Germany was defeated.

Here is the record on that one: On Aug. 6, 1945, the U. S. dropped the first atom bomb on Japan, insuring Japan's defeat. Two days later, on August 8, Russia declared war on Japan. Next day, Red troops invaded Manchuria. On August 23—14 days later—Premier Joseph Stalin announced complete victory for Soviet forces.

In return for this belated, unneeded assistance, Russia, by the Yalta Agreements, got huge territorial concessions that enabled it to dominate the Asiatic continent—and to menace the United States.

This, then, is the record that Russia will carry into the new Big Four talks—106 million words of talk in 3,400 meetings, 52 agreements made, 50 agreements broken, only 2 promises kept.

This is why many Americans, including President Eisenhower, are not expecting miracles of peace from the Big Four talks just ahead.

For President Eisenhower's comments on the Big Four talks—see page 38.

WHY THE PRESIDENT FAVORS A BIG 4 MEETING

What caused President Eisenhower, after some hesitation, to agree to talk with the Russians in a Big Four conference?

What does the President expect the talks to accomplish?

Given here, in his own words, are the President's answers, made in reply to newsmen at a press conference.

The reason for talking now, as President Eisenhower explains it, boils down to this: There is a vague feeling growing in the world that some good might come out of such talks. And Ike intends to find out if this hope is justified.

However, the President adds this word of caution: Don't expect too much.

Following are extracts from the President's press conference of May 11, 1955, with the President's answers authorized for direct quotation by the White House:

William H. Lawrence *(New York Times):* Mr. President, could you tell us, sir, some of the reasons why you did change your mind about the feasibility and desirability of a "summit" conference now and in advance, so to speak, of a projected foreign ministers' meeting?

The President: Well, of course, this business of foreign affairs, things change from day to day.

The mere fact that we were to open up, or it appeared that the Austrian Treaty was to be signed, did not in itself seem to me, as I think I told you in April sometime, a reason for a meeting at the summit. But I said, of course, that situation can change rapidly.

Now, there has been a growing sentiment discernible throughout the world that from a meeting like this something might come, and there has been clear evidence presented through the press, through correspondence, next to our contacts through diplomatic sources that there is a vague feeling some good might come out of such a conference.

Well, now, when then to hold such a conference?

Just to put a stamp of approval on something that may have been done by foreign ministers or to try to stimulate thought, and possibly even to define the areas in which you would expect your foreign ministers to work so that something might be accomplished.

Finally, I felt this: This business of trying to reach a clarification of issues, if such a thing is possible, is so important that you can't stand on any other principle except do your utmost as you preserve your own strength of position, as long as you are not sacrificing, as long as you are not excepting too much; don't be just stubborn in your refusal to expect anything, but to go ahead and see what you can find about it.

Now, it does also do this: It gives a personal opportunity to sense an atmosphere in that circle. However, I think those vague, rather generalized reasons are really lying behind this.

There is no expectation on my part that in a few hours, a few days, or a few weeks this world is going to be turned around, by no means, and I am not going, if I do go, under any such thought.

But I would hope that my own mind will be clarified a little bit. Maybe the platform from which we may later work will be a little clearer even to ourselves

Charles E. Shutt *(Telenews):* There has been much speculation, sir, as to what might be discussed at this meeting. Would it be proper for you to tell us what you feel would be the most important topic that could be discussed?

The President: I would think the most important thing that could possibly be done at such a meeting would be to define the lines or directions in which we commonly would want our foreign ministers to work to see whether there is any opportunity to relieve the tensions in the world. And, beyond that, I don't even possibly say what the subject would be. Certainly there would be no agenda except in the most generalized form to talk about a general group of subjects. No agenda in the sense that foreign ministers would normally meet.

Chalmers M. Roberts *(Washington Post and Times Herald):* Mr. President, to follow that question, do you have in mind the idea of working on specific matters, such as the German unification problem, or are you thinking now that it may be possible to have a larger framework of discussion, such as some general East-West settlement in Europe?

The President: I don't think that either of your assumptions are quite correct, as I now visualize it. I think that we merely, I repeat, could define the areas in which people would start to work.

Now, when they start to work in any area, you find it affects every other area. There would be no—I think there can be no limitation, and at the same time you couldn't possibly give an exact description of what you are going to do. You are going to meet, try to discover whether you believe the other people are sincerely hoping to relieve tensions. If so, what are the areas of greatest tension and what can these people do?

Mr. Roberts: Sir, may I ask a further point? You spoke yesterday to the Republican women about disarmament, for example.

The President: Yes.

Mr. Roberts: Would that be included in this type of discussion?

The President: I wouldn't see any possibility, if you are going to relieve tensions, that you didn't have to discuss dis-

armament. But what I say is you would neither limit it, you wouldn't exclude it nor would you necessarily put it down as a particular agenda.

I don't believe that such a conference could design a specific agenda for your foreign ministers. You could only describe lines that they would take, the attitudes we have and the general areas they would explore.

Raymond P. Brandt *(St. Louis Post-Dispatch)*: Mr. President, can you give us any idea of how long the meeting at the summit would take?

The President: I can only tell you what I would guess. I would think that, oh, a matter of three days, I think, would completely cover the issues, as far as I am concerned. All that is—

Mr. Brandt: How long would the foreign ministers meet—can you guess on that?

The President: Oh, I wouldn't guess—I wouldn't guess.

Mr. Brandt: Would that be a matter of weeks or months?

The President: Could be—I wouldn't guess. And, of course, after the foreign ministers meet, then you can establish if any progress was made at all. What you would probably establish would be numbers of meetings of experts in particular fields, but I really can't—there is no use really of speculating as to what the outcome of a chain of events can be. This is certainly experimental.

Mr. Brandt: Would you go back to your old plan after the foreign ministers had come to some agreement—the Big Four would then meet again to formalize it?

The President: I wouldn't know. Certainly in that case we would have to develop a sufficient confidence in what has been done, and it would have to be of sufficient significance to us and to the world that it would be worthwhile to make a formal signing to be, let us say, historical.

° ° °

Elie Abel *(New York Times)*: Sir, could you give us your views on whether you would favor a congressional delegation or a small group of congressional leaders going to this meeting at the summit with your party?

The President: Well, I wouldn't know yet. You must remember that there was an invitation issued, and we sort of described in our note what we thought would be a good thing, and good procedure. We don't know whether that is going to be accepted.

I would say this: When it comes down to anything definitive that is going, possibly, to result in any kind of formal agreement or treaty, then I would say it is always profitable to have a congressional committee with them.

Mrs. May Craig (Maine papers): Mr. President, I had understood you to say that you would require deeds from the Communists before you would meet with them, to show their specific attitude. Have you had any deeds of that description?

The President: Well, one of them I described was the signing of the Austrian Treaty. Now, it is true I talked about others, but if this one will indicate what they are apparently trying to make it appear to indicate, well, then, I am going to try to find out whether it is absolutely sincere.

Laurence H. Burd *(Chicago Tribune)*: Mr. President, would you regard it as possible or likely that the Far Eastern situation might come up at such a conference; that is, that there wouldn't be any geographic limits?

The President: Oh, I—It might be an agreement to limit it in order to look for success, to limit it to certain areas. I would say, if you had the heads of governments, yes, heads of government at the one conference, I think that general conversations would tend to go around the world, be global in character.

—USN&WR Photo

THE PRESIDENT: "There is no expectation on my part that in a few hours . . . this world is going to be turned around"

DRAMATIC NEW USE OF LIGHT STEEL BEAMS FEATURED IN HOME OF THE FUTURE

"RESEARCH VILLAGE," near Barrington, Ill., is an experimental development in modern architecture and building, sponsored by the United States Gypsum Company, in cooperation with the National Association of Home Builders and members of the American Institute of Architects. The designing architect of the model home shown here is G. H. Coddington, AIA, Brooks and Coddington, Columbus, Ohio. Consulting Builder: W. Alexander Simms, Dayton, Ohio. Builder: Maxon Construction Co., Barrington, Ill.

J&L JUNIOR BEAMS... offer new beauty, comfort and safety

The sweeping expanse of this kitchen-living room area is another example of the versatility of J&L Junior Beams. They are strong enough to span large areas without columns, and their simplicity of design blends with any modern interior.

Note this smart looking section of the large recreation room. Here, the exposed J&L Junior Beams blend with the modern decor of a first-floor room, and provide firm support for the floors of the rooms above.

for medium and low-priced homes

Here is a striking example of how progressive architects and builders are using J&L Junior Beams.

In this home, versatile J&L Junior Beams provide safe and lasting support. At the same time, the architects have left the beams dramatically exposed as an element of attractive design.

Strong, lightweight Junior Beams have long been used by progressive architects and builders in nearly every type of light-occupancy building—small office buildings, hospitals, schools, industrial plants, and apartment houses.

You may have the advantages of Junior Beam construction in your new home, or in any type of light occupancy building. Just ask your architect to specify J&L Junior Beams for the supporting structure.

Left: The ceiling in this bedroom, second floor, shows an ingenious combination of beauty and strength. The exposed J&L Junior Beam harmonizes in line and color with this modern interior, while safely supporting the roof above.

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A RUSH IS ON TO RETIRE

It's Nearing a Million a Year and Growing Fast

People are discovering something new about the country's old-age retirement system.

For the first time, the system really does offer workers a chance to retire.

As a result, after 20 years of Social Security, people are acting—or planning—to take their pensions and quit work at 65.

A wave of old-age pension claimants, swamping Government offices all over the U.S., is making officials aware of a new phase in this country's "retirement revolution."

A thousand people a day are reaching 65 years of age, and hundreds of them are wasting no time in demanding the pensions that are theirs under the old-age retirement system. Last year, in the first three months, 187,500 retiring workers were awarded monthly pensions for life. This year, in those months, 219,000 started drawing pensions.

Yet this trend is only beginning to show the effects of last year's changes which made pensions bigger and easier to get. Very shortly now, a million workers a year will be retiring on their Social Security pensions—not counting wives, widows, children, others.

What all this means, really, is that the country's 20-year-old retirement system suddenly is beginning to catch on. That system, for many aging people, has seemed a paper program, offering very little to a very few. Now millions are finding that they really can afford to retire on old-age pensions at 65.

Sharply increased pension checks, easier qualifying rules and permission to earn more dollars in retirement have made the difference.

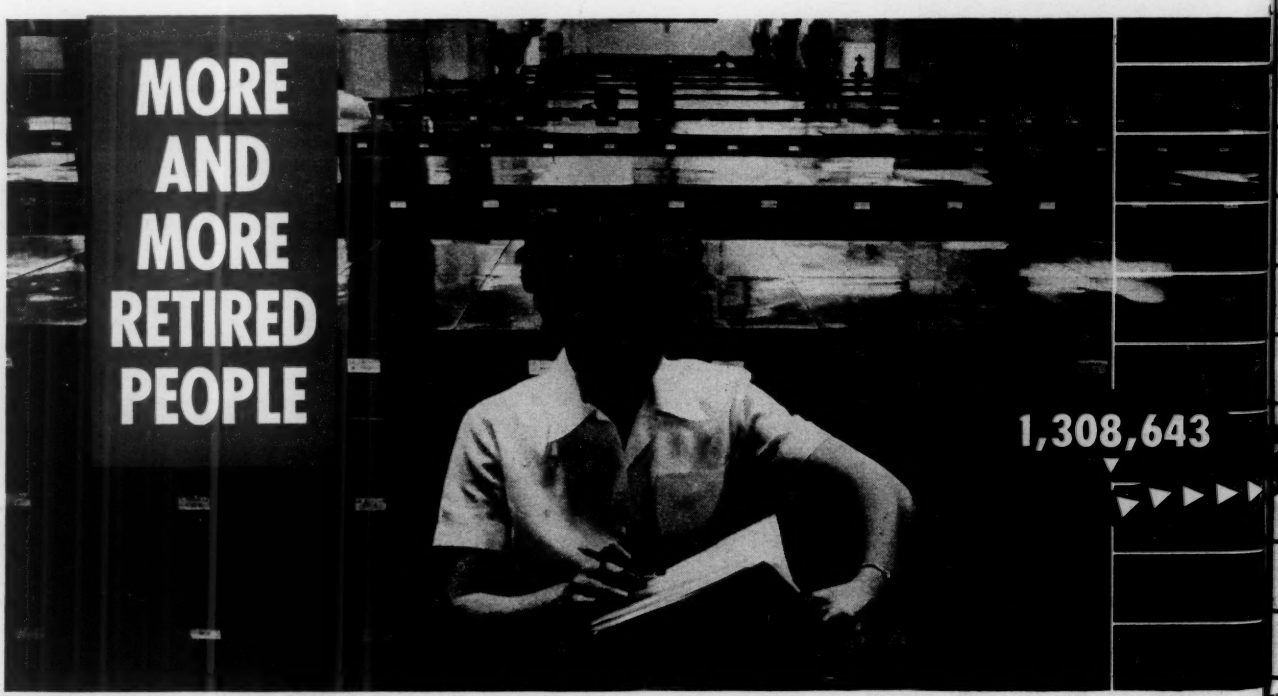
Rapidly spreading company-pension plans, too, are making it possible for workers to use their Social Security pensions. There already are some 27,000 of these company plans, covering well over 12 million workers.

How cases work out. Specifically, what more and more millions are finding, as they approach 65, is the prospect of an assured income of several thousand dollars a year.

A factory worker earning $4,200 a year—barely more than average—expects to start drawing $162.80 a month for himself and his wife next year when both are 65. He looks to his company for, say, $75 additional a month. By retirement time, he expects to have his house paid for. With no rent, and no income tax, the worker figures that $2,853.60 a year will be about all he and his wife will need.

If he's wrong, the worker figures, there's still no worry. He can spend a few months of each year at his trade. Government now will let him earn $1,200 a year without cutting off any of his pension checks. With those extra earnings—or $4,000 all told—and no rent to pay, he's going to find his retirement income going further than his working income.

A salaried executive, at the same time, plans an even more abundant life in old age. Along with his Social Security check



Pension records of millions are kept in these vast Social Security files

Source: Social Security Administration, through March, 1955; April, 1955, USN&WR estimate —USN&WR Photo

of $162.80, he and his wife are counting on a company pension of $125 a month. Their savings, they estimate, should bring in another $150 or more of monthly income. Altogether, they have budgeted for annual expenses of $5,000—just to be on the safe side. With their mortgage paid off, their children's education out of the way, and little or no income tax to pay, they anticipate no trouble.

These are only examples of what is happening, and being planned, around the country. For higher salaries, of course, company-pension plans are designed to yield much higher living standards in retirement. Even at lower income levels, though, retirement—at least partial retirement—has come within reach of many.

The nation's farm employes, for example, are suddenly waking to the fact that the Social Security taxes they started paying only this year—or two years ago at the earliest—really are buying something. For many of these workers nearing or already 65, pensions will be small. Yet even $50 or $60 a month, added to $1,200 that can be earned in a year, can mean something like "retirement" with no drop in living standards to many who have never known large cash earnings.

Retirement for all. Official reports show what already is happening.

In 1950, only 18 persons in each 100 who were 65 or over were retired on their old-age pensions. Far more than that were on relief, and a still larger number worked for a living.

Now the situation is reversed. About 38 in 100 aged persons are on old-age pensions—far more than are employed and twice as many as are on relief.

Dollars pour out. You get an idea of what is going on, too, from the over-all picture of Social Security.

In early 1950, there were 1.3 million retired workers drawing 557 million dollars a year in pensions.

In April of this year, for the first time, more than 4 million workers were receiving their old-age pensions. Together, they are drawing more than 3 billion dollars a year, well over five times as much as in 1950.

This is but the beginning. With the retirement system finally taking hold, the totals are to grow rapidly.

In five years, by official "medium" estimates, there will be 5.4 million retired workers on Social Security pensions—plus 2.6 million wives and others in the 65-and-over group. With payments for dependent children included, the system will be paying out 7.3 billion dollars a year. That's about equal to the annual payroll of all of the country's banks, insurance firms, loan companies and all other financial concerns put together.

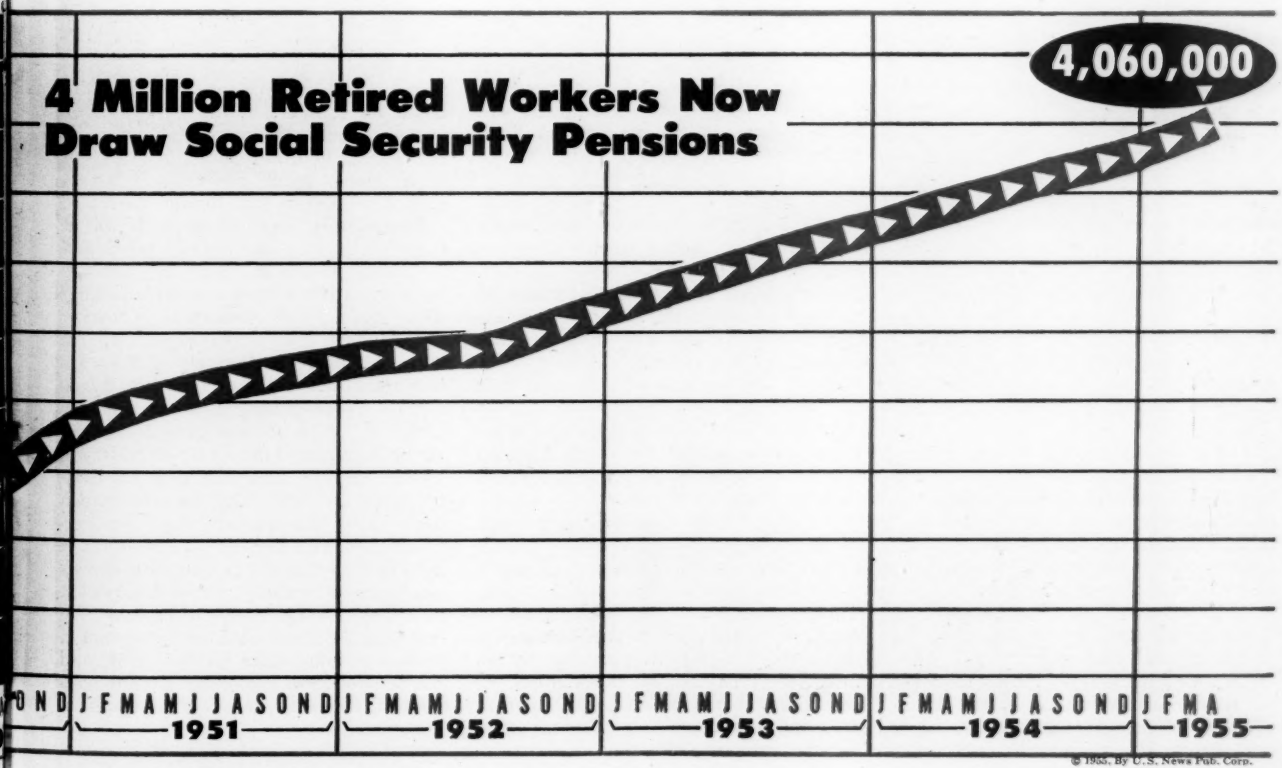
Dollars pour in. Despite these trends, the vast Social Security system continues to collect more cash than it pays out. The working population, in other words, still is paying more dollars in payroll taxes than retired people are drawing.

Specifically, in the year ending this June 30, payroll taxes will yield about 5.3 billion dollars. Interest on the 21-billion-dollar trust fund will bring in 463 million additional. With pensions and administrative costs at just under 4.5 billion, the trust fund will accumulate 1.2 billion more.

And, even with the new tendency to retire, that fund is to go on rising for another 30 years or so—and beyond, if Congress decides to adopt a more sharply rising schedule of payroll taxes than the one now on the books.

This process could be thrown out of kilter. More workers than expected could decide to take their pensions and retire in years ahead. The present rush to claim pensions might indicate such a turn. Yet officials doubt it. The growing disposition of people to take advantage of their Social Security pensions, they feel, is about what was to be expected of the new, liberalized rules adopted last year.

For millions of individuals, though, it's a new day for the aged, a day in which —more and more—people are finding it possible to quit their jobs and take life easy after 65.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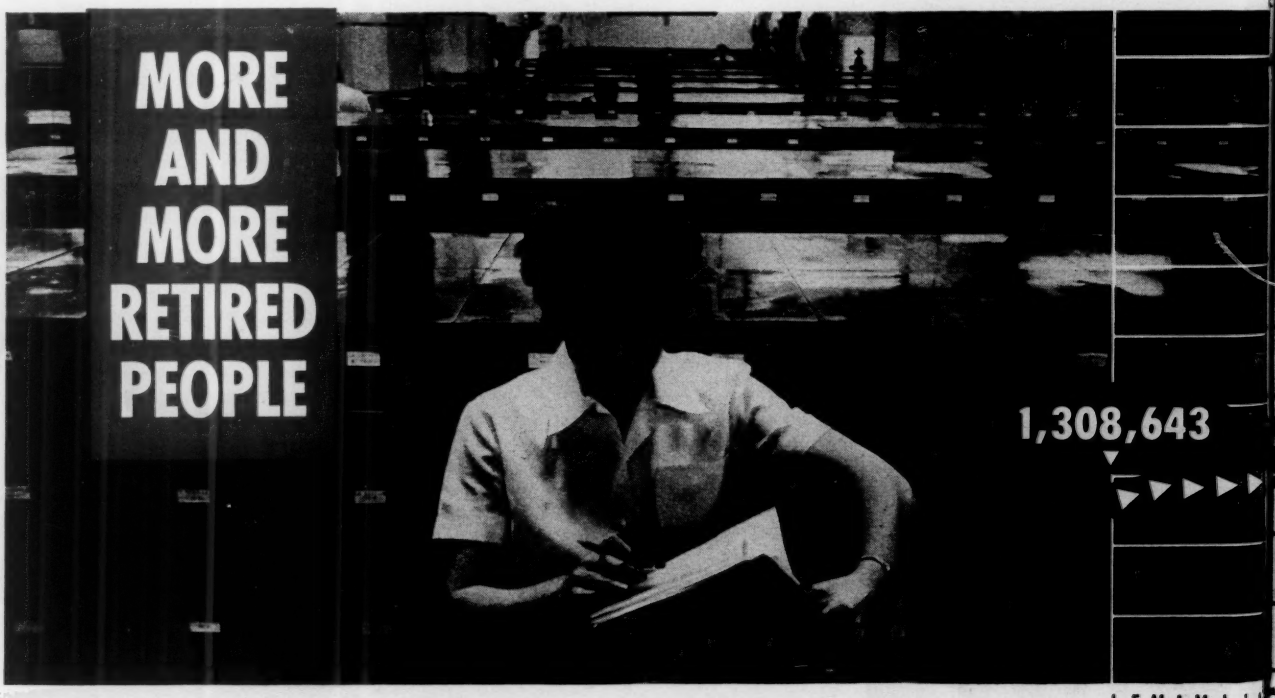

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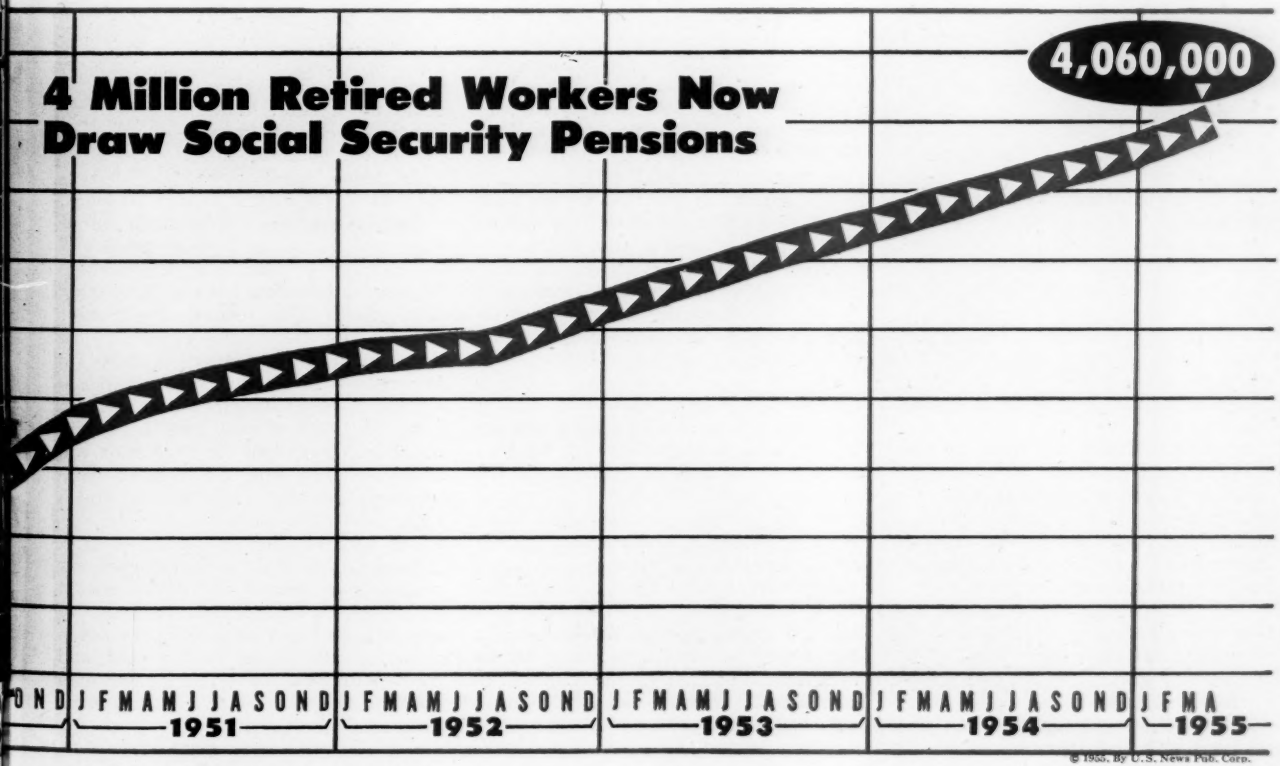
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Good Times Come to Congress, Too

Better Pay, Pensions, Bigger Quarters

Congress, after complaining for years about its low pay, high costs and lack of space, finally is getting the breaks.

Salaries are boosted by 50 per cent. Pensions are up. Office space is being expanded, with both houses to benefit. Even the old Capitol is about to get a face lifting.

Can Congressmen now make ends meet? That remains to be seen.

The members of Congress, like the country in general, are beginning to enjoy an era of prosperity. More pay, more space and more comforts are opening up for both Senators and Representatives, with still better things in prospect for the future.

Pay is up 50 per cent. Pensions, on retirement, are to be higher as salaries rise. There is a promise of new office buildings, many more facilities.

The Capitol itself, where Congress meets, is going to be enlarged and modernized. The cost will be around 7.5 million dollars. The plan is to move forward the east front of the structure. This will mean about 40 new rooms, new committee facilities, an expanded restaurant, more space.

A new office building to house Senators already is under way. Before it is completed, this structure will cost 20 million dollars. It will contain a large auditorium suitable for televised committee hearings, many other committee rooms, 40 five-room suites for committee chairmen and others, plus 129 other offices.

At the same time, the House of Representatives is projecting its third office building to provide working space for its 435 members. An appropriation of 5 million dollars has been voted to start construction, even though plans for the building are not yet completed.

New era for Hill. Congress, in fact, is getting all fixed up for a new age of prosperity and expansion.

This very fact, however, is regarded by some members as having its disadvantages. Higher pay and pensions, more perquisites, fancier quarters make the seats in Congress more attractive. This attractiveness can have its effect upon local politicians, cause them to aspire to places on the national scene. The result, for present members of Congress, could be more political competition from back home.

Jobs in Congress definitely are more attractive now than in the recent past.

A Senator, like a Representative, today draws $22,500 in annual pay. This is a raise from the $15,000 that prevailed prior to this spring. If the Senator or Representative maintains a home back in his home State or district as well as one in Washington, he can consider $3,000 of this new income tax-free.

The raise now being enjoyed is the first for either Senators or Representatives since 1947. After taking taxes and living costs into account, it leaves an income that will buy in goods and services just about as much as the $9,600 that remained out of a Congressman's $10,000 salary back in 1939.

There are compensations that go with the job, however, other than salary.

Fringe benefits. A Senator, for example, is allowed $1,200 a year for stationery and other office supplies. He can spend $2,000 at Government expense for telegrams and is allowed 90 five-minute long-distance telephone calls a year from Washington, as well as $1,200 a year to spend on long-distance calls made from outside Washington.

The Senator is provided with a suite of three to five rooms in the Senate Office Building, and is allocated an average of $64,500 a year to pay his staff. That staff, on the average, consists of about 10 persons. In some cases it includes as many as 25 persons; in other cases it is much smaller.

One of the reasons why the Senate is spending 20 million dollars to add to the office space and hearing rooms for its members is that the work load on individual Senators is growing as the country grows.

As individuals, Senators get many small privileges, too. They have garage space. There is a swimming pool and a gymnasium where they can exercise. Their haircuts are free, although it is customary now to tip the barber $1. Some medical care is provided by an attending physician at the Capitol. In case hospital care is needed, a room at an Army or a Navy hospital is provided at a flat cost of $17 a day.

A Senator, like a Representative, is allowed 20 cents a mile for travel to and from his home State once each session. In some cases, when need arises, he may hitch a ride free on a military plane when empty seats are available. In case of special sessions of Congress, it is customary to vote an extra travel allowance at 20 cents a mile, round trip. There is no special travel allowance, however, for the family. The Government does not pay the expenses of moving back home if political defeat comes.

Sometimes Senators are on committees that travel abroad, or hold investigations around the United States. In that case, travel and expenses are paid by the Government. On trips to most European nations, there are "counterpart funds" that can be drawn upon to pay expenses. The lawmaker merely picks up from American embassies as much of this currency as he thinks he will need. He signs a receipt for it, but is not asked how he will spend it and need not account for it later. In the last fiscal year, the members of one house of Congress alone spent more than $157,000 in this foreign currency.

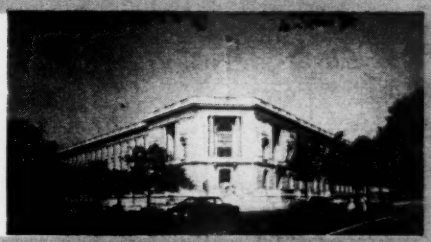
Headaches, too. Even with all of these perquisites and special privileges, the average Senator, like the average Representative, often has trouble making ends meet. The reasons are many: Constituents frequently expect to be taken to lunch—particularly if they are important—when they come to Washington. There is no expense account to cover this. There are two homes to maintain. Campaigns for re-election roll around rapidly and the cost of campaigning is very high—usually much higher than the salary.

The Senator's biggest expense—that of getting elected, then re-elected every six years—comes entirely out of his pocket and those of his political backers. No one has yet been able to figure out a system of allowances for that cost, and the Senator faces a constant gamble with political defeat if enough is not spent on campaigning.

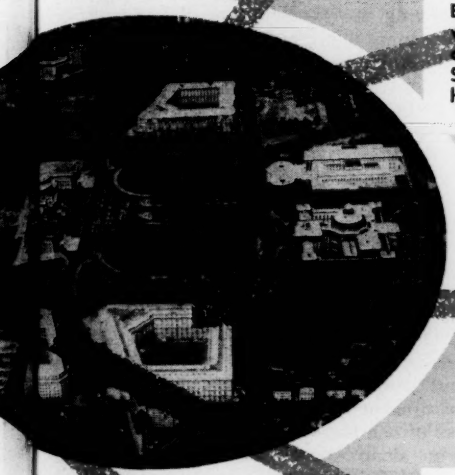
(Continued on page 46)

Office Buildings for Congress: PRESENT AND FUTURE

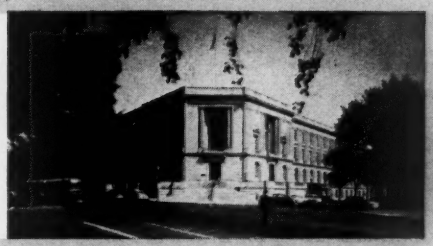
SENATORS' OFFICES now are contained in this building, connected by subway with the Capitol. Each of the 96 well-known tenants in this Senate Office Building has a three to five-room suite. There, too, are hearing rooms, a gymnasium, even a swimming pool.



ADDITIONAL SENATE OFFICES will become available here, when a new Senate Office Building is completed. There will be 40 five-room suites for committee chairman and senior Senators, 129 other offices, plus hearing rooms.

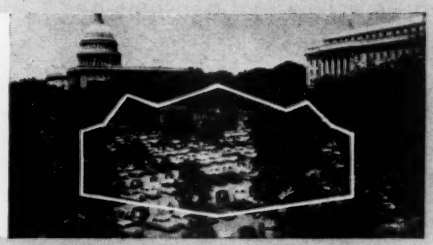


REPRESENTATIVES' OFFICES now are located in two buildings. This is the "Old" House Office Building, completed in 1908 at a cost of 4.8 millions. Each Congressman has at least a two-room suite. Building also contains some committee rooms. There are 690 rooms.



"NEW" HOUSE OFFICES are in this building, erected in 1933. It contains 251 two-room suites, 16 committee rooms, a gymnasium and a cafeteria. The building cost 7.8 millions.

FUTURE HOUSE OFFICES will be in a third House Office Building as well. Probably to be on this site, it has 5 millions already appropriated for initial construction, but as yet there are no plans. Most committee rooms will be here.



Photos: Washington *Evening Star* and USN&WR

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WHAT IT COSTS TO RUN CONGRESS

A SENATOR GETS THIS:

Salary—$22,500 a year

Expenses—$64,500 a year, average, for staff pay

Office help—Staff of about 10 people

Office space—A three or four-room suite in Washington, plus an office in his home State

EXTRAS—*Free postage • Allowance for long-distance calls • Travel allowance • Allowance for telegrams • $1,200 yearly stationery allowance • Low-cost pension and life insurance*

A MEMBER OF THE HOUSE GETS THIS:

Salary—$22,500 a year

Expenses—$26,200 a year, average, for staff pay

Office help—Staff of about 3 people

Office space—A two-room suite in Washington, plus an office in his home district

EXTRAS—*Free postage • Allowance for long-distance calls • Allowance for telegrams • Travel allowance • $1,200 yearly stationery allowance • Low-cost pensions and life insurance*

ALL TOLD: **Cost of Congress, including upkeep of buildings and grounds, comes to 75 million dollars a year**

AVERAGE COST: **Per member of the House and Senate, $140,000 a year**

© 1955, By U. S. News Pub. Corp.

Low-cost services of many kinds, nonetheless, help to offset this expense while the Senator is in office, and supplement his pay and allowances. For $10.80 a month, for one thing, he may get a $20,000 life insurance policy, with no medical examination required. Then, for 6 per cent of his salary, he may acquire a pension that, by age 62, will provide him with an income of up to $16,875 a year for life, depending upon his length of service. For little more than cost, both a Senator and a Representative may buy a wide variety of items of daily use from special "stationery" stores.

Free bouquets. Then there are a few free services. The Senator may send all of his voluminous correspondence free, by first-class mail. If he happens to be a Majority or Minority Leader, or President pro tem of the Senate, he rates a free automobile and chauffeur. He gets things such as cut flowers free, too, from the U. S. Botanic Garden nearby.

Living in Washington, the Senator finds himself in demand for as many social affairs as he cares to attend. His opinions are sought. He is quoted frequently in newspapers and appears on television from time to time. All this adds to the attractiveness of his job, too, in the opinion of many.

Different in House. A member of the House of Representatives gets the same salary as a Senator, has many of the same expenses and same compensations, but the appeal of his job is different in many respects.

The Representative's personal staff is smaller, for instance, with three people and a staff-pay allowance of $26,200 a year on the average. He probably will be assigned a two-room suite, instead of the three to five rooms assigned to a Senator.

Allowances are the same for the House member in some cases, different in others. His first-class mail may also be sent free, but his paid-for telegrams are limited to 12,000 words a year. His allowance for long-distance calls is limited to 900 three-minutes conversations a year. He gets the same amount that a Senator gets for office supplies and for airmail and special-delivery postage.

The biggest differences in his job, the Representative finds, are in intangible things, rather than dollar allowances. He must run for office every two years, instead of being safe in Washington for six years. He discovers that he has less prestige, ordinarily, than a Senator. He pays 50 cents for his haircuts in a House barbershop, has no swimming pool in his gymnasium. A Representative gets less national publicity than a Senator.

Solace for Representatives. But there are compensations. The Representative, in Washington at least, has a good

deal more privacy. He has more of a chance to pursue his legislative specialty. He may travel just as much, with expenses paid, on official business, with less criticism from political opponents. Less well known, he may have fewer political enemies, less political pressure. And he usually has less mail, fewer constituents to cope with.

Both Senators and Representatives will benefit, with more working space and more comforts, when the planned new construction is completed on Capitol Hill.

In the new Senate Office Building, there will be 12 five-room suites for committee chairmen, 28 more five-room suites for ranking Senators other than committee chairmen. Then there will be 129 office rooms for ranking minority members of committees, for committee staffs, the Vice President, the press and for future needs. Senatorial suites will have large connecting offices, coat closets, three toilets, acoustical ceilings, the latest modern furnishings.

Senators, in addition, will have 12 large committee hearing rooms, a cafeteria seating 700, and a big auditorium in their new office building. The auditorium will seat 500, with a raised committee table to accommodate 21 Senators, and a walled-off studio containing broadcasting and television facilities.

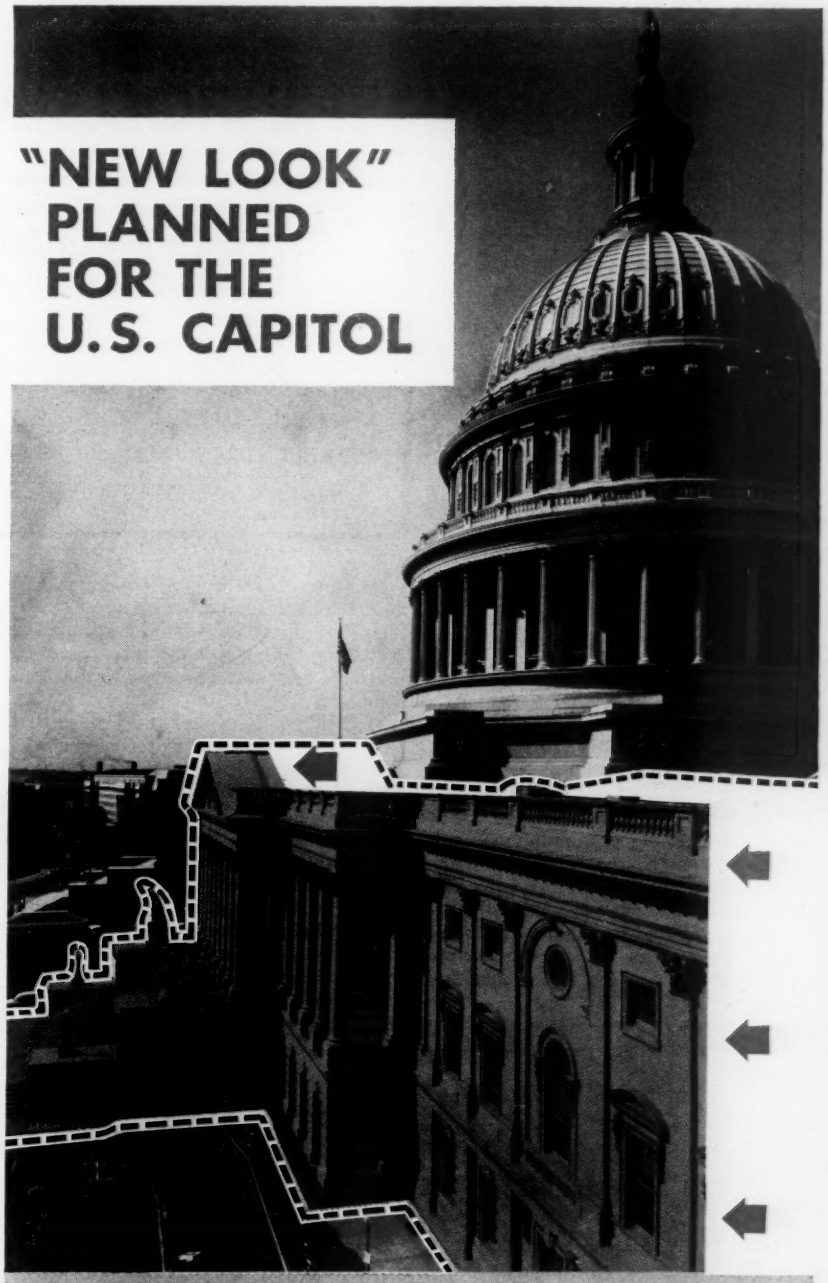
In the planned new House Office Building, no decision has yet been made as to the number of offices or hearing rooms, but the understanding is that here, too, most of the new space will be used by committees and committee chairmen. This is to correct a situation in which many of the present committee rooms have to be used as offices for committee staffs as well as for hearing rooms. Many committee employes now work in a building about three blocks from Capitol Hill because there is no space for them in committee offices.

In the remodeling plans for the Capitol, committees also will get priority for the added space.

A new façade. Behind the proposed addition is a long-time effort to correct an architectural error in the building, by which the massive dome appears to overhang the east portico. That's now to be corrected by extending the entire east front, between the wings, forward probably about 40 feet, thus adding a great deal of room to the Capitol, space which will be allocated to committee offices and hearing rooms, and to restaurants.

Congress, as a result of all these things, seems to be approaching an era of good times, with the Congressman's job suddenly made far more attractive—whether or not Senators and Representatives yet are able to "make expenses."

"NEW LOOK" PLANNED FOR THE U.S. CAPITOL



EAST FRONT of the Capitol would be moved out about 40 feet, under an old plan now being revived in Congress. *Purpose:* To get needed extra space, and to correct an architectural error which makes the dome seem to overhang the portico. Project would add about 40 large rooms for use by congressional committees, would cost an estimated 7.5 millions.

—USN&WR Photo

© 1955, By U. S. News Pub. Corp.

Election Forecast—

EDEN IN IF THE POLLS ARE RIGHT

Signs point to an Eden victory in Britain. Peace and prosperity are counted on as a winning formula for Conservatives.

Socialists show gains in the polls, but they aren't catching up with the "ins"—and Election Day is drawing close.

Campaign, now near the peak, is a calm and quiet affair by U. S. standards. All the rules are different in Britain.

Steady Gain for Conservatives

This is how the polls rank the popularity of the two big parties in Britain—

	Conservative	*Labor*	*Others*
November, 1954	46.0%	47.0%	7.0%
March, 1955	46.5%	44.5%	9.0%
April, 1955	48.0%	44.0%	8.0%
Now	**49.5%**	**47.0%**	**3.5%**

Source: British Gallup Poll

LONDON

If the public-opinion polls and most political appraisers are right, Sir Anthony Eden and the Conservative Party will win the British election on May 26. Clement Attlee and his Labor Party, in that event, will continue to sit on the side lines during the years just ahead.

Sir Anthony, seeking power in his own right for the first time, is "running scared." He's scared for the simple reason that, on the record, millions of British men and women have a tendency to vote with the left side on political questions. The politicians say this feeling persists, even though people are living better and enjoying more of the good things of life now than they have for many years.

Still, with the election almost at hand, both the public-opinion polls and the betting trend give the edge to the Conservatives.

A Conservative victory will mean that, in both domestic and foreign affairs, Britain will go along on its present course, with Sir Anthony at the head of the Government. For the U. S., it will mean a continuation of the British-American partnership on present lines.

American officials generally find it easier to work with the Conservatives than with the Socialists. Most of the criticism in Britain of U. S. policies originates within the Labor Party—particularly with the left-wing Socialists led by Aneurin Bevan. A victory by Labor would almost certainly bring some changes in relations between the two allies.

"Hot"—for Britain. The campaign, now approaching its height, is described to Americans as "hot." Reading the newspapers, you get the impression that no holds are barred. Yet, when compared with a presidential campaign in the United States, there is something of a kid-gloves feel to politics over here. The British have very strict laws to govern their election campaigns.

Money carries less importance than in a U. S. campaign. In only a dozen or so parliamentary districts is it legal for a candidate to spend as much as $3,000 to get out the voters. Total spending by all parties is not likely to exceed 3.5 million dollars for this year's campaign.

In Britain, there are no national conventions to provide the public with a week-long television and radio spectacle while candidates are being picked and platforms adopted. Campaigning, which in the U. S. runs at full stride from midsummer into November, is limited by law to three weeks over here.

There is no nation-wide ticket carrying the names of the two rival leaders—Sir Anthony for the Conservatives and Attlee for Labor. Technically, each is a candidate only for the seat he now holds in the House of Commons.

Nor does the size of the popular vote necessarily decide the outcome. The Socialists got the most votes in the 1951 election, but the Conservatives won control of the Government. In Britain, it is a question of one party's winning a majority of the 630 seats in the House of

—United Press

POSTER BOOSTS SIR ANTHONY EDEN
By American standards, it's a kid-gloves campaign

Commons. The party that controls the House is the Administration party.

Shorter and cheaper. In 1948, the British adopted laws to make sure that their campaigns would be short, relatively inexpensive and generally austere by American standards. Now—with the campaign nearing its climax—there are occasional regional meetings sponsored by the different parties, but nothing that compares with the huge, nation-wide political rallies of an election year in America.

The result is that running for office is a low-cost operation here when you think of what an American candidate often puts into his race.

There is no money to be spent on television or radio time. Both are controlled by the Government through the British Broadcasting Corporation, and free time is evenly apportioned so far as the two big parties are concerned.

Television is being used this year as never before, and one political analyst says TV and radio may be "the determining factor in the election." Yet, the total television time for each major party will be only one hour for the entire campaign. There are no local TV spot announcements for individual campaigners.

Seasoned politicians are worried about the new-style campaigning by TV. The reason is that in the 1951 election there were only 750,000 television sets in use in Britain. Now there are 4.5 million and campaigners are concerned that a single "boner" or bad impression on the television screen can cost the votes of countless thousands.

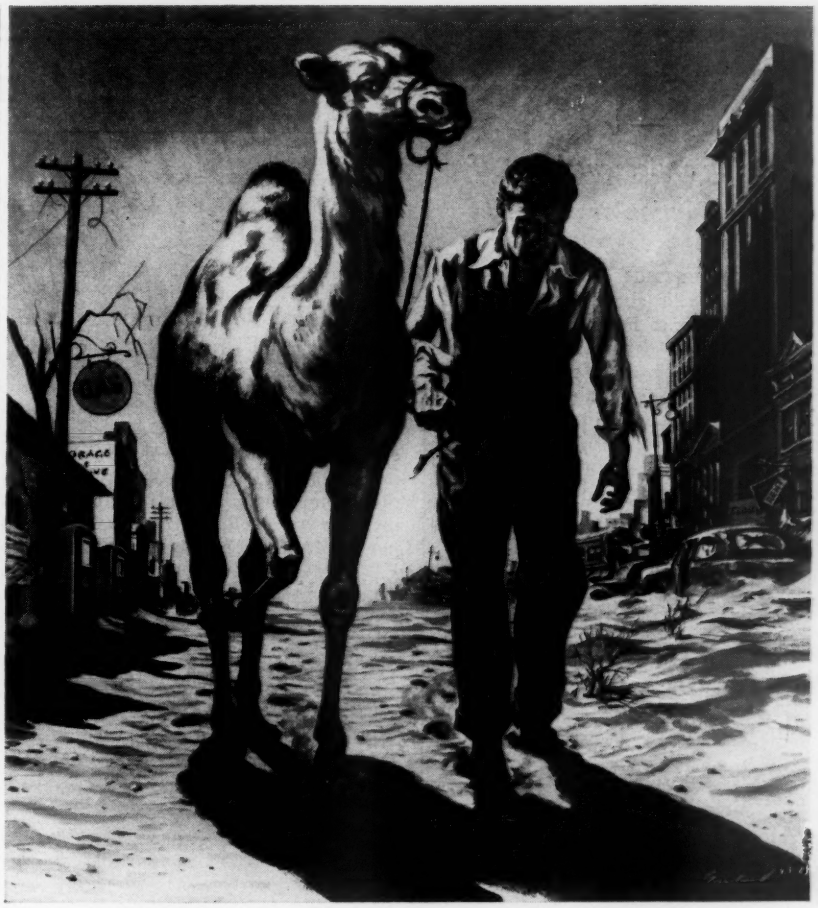
With the British so closely divided politically, it is just good politics to worry about such things. Laborite Herbert Morrison has estimated that, when the left-wing leader, Aneurin Bevan, termed the Conservatives "lower than vermin" in one campaign, his remark lost the Labor Party 40 close districts.

Funds are limited. Even though a candidate is spared expense for television and radio, he still must keep close watch on the money that goes into his campaign. British laws on political spending are very strict. Candidates are allowed to spend the equivalent of $1,250, plus a small additional sum based on the total number of voters in the district.

Each candidate has to make a return showing what he spent, and all expenses are audited by independent experts. Parliament has the right to investigate anything that looks out of line.

The law is explicit, even down to regulating the use of automobiles. On Election Day, cars used to haul voters to the polls must be loaned, never hired. Each candidate is limited to one car for

(Continued on page 50)



could America become a Sahara?

Even American ingenuity cannot increase the amount of rainfall.

And demand continues to soar. 160 million people each using 220 tons of water yearly!

65,000 gallons to produce a single ton of steel! 64,000 gallons to make a ton of paper! And home and industrial use expected to double in 20 years.

American waterworks engineers are doing a magnificent job in trying to keep supply abreast of demand. And you can help.

As an industrialist, recheck your processes to save water. As a plant executive, study ways to save it.

As a citizen, use it wisely. Support adequate water rates . . . and the forward looking plans of your water officials. Cast Iron Pipe Research Association, Thos. F. Wolfe, Managing Director, 122 So. Michigan Ave., Chicago 3.

Man's most dependable carrier of water—Cast Iron Pipe

This cast iron water main in Alexandria, Va. is 103 years old and still going strong. Modernized Cast Iron Pipe, centrifugally cast, is even tougher, stronger. Cast iron's proved record of long, trouble-free life saves taxes.

WATER, your priceless heritage . . . use it . . . enjoy it . . . protect it with

CAST IRON PIPE CAST IRON

S. S. S.

—or

Sweeping Statements are Silly, about a Nation or a Whisky

A STORY WRITTEN in the eighteenth century tells about an Englishman on his first visit to France. He landed at Calais in a heavy downpour of rain, and made a quick dash for a closed carriage. Before drawing the curtains of the carriage he noticed a red-haired woman passing by. He then wrote his first entry in his travel diary: "France is a country where it rains all the time, and where all the women are red-haired."

Absurd, of course. But the story satirizes the danger of making sweeping generalizations about anything so complex as a great nation. Or, we may add, a great beverage like Scotch whisky.

You cannot characterize Scotch whisky in a single phrase. There are about one hundred distilleries in Scotland, and their distillations vary enormously in taste, body and character. It is the art of the *blender* which is all-important in the production of a truly great Scotch.

Let us make a simple analogy. You may be lucky enough to know—or at least to see—a number of attractive women. But women differ greatly in types of beauty. One is distinguished for facial features, another for a provocative figure, another for beauty of eyes and hair, and so forth. The most beautiful woman you can imagine would be a composite of all the attractive women you have ever seen.

You cannot blend women . . . but you *can* blend whisky. The finished product will depend on the quality of the elements used in the blend. 12 year old Chivas Regal Scotch Whisky is a blend of no less than *thirty-three* basic whiskies. Each is 12 years old or older. Each is the rarest of its class. Each is chosen for its own subtle contribution to the taste, body and character of the finished masterpiece, which long ago earned the title of "Scotland's Prince of Whiskies."

A whisky of this nobility can be produced only in limited quantities. We deeply regret that your dealer or barman may occasionally be out of Chivas Regal when you ask for it. Please give him a second call!

•

BLENDED SCOTCH WHISKY
86 PROOF
CHIVAS BROTHERS IMPORT CORP.
NEW YORK, N. Y.

[*continued*]

EDEN IN IF POLLS ARE RIGHT

every 2,500 voters in metropolitan districts and one car per 1,500 voters in rural areas.

Politicians here are spared the expense of primary campaigns, too. Britain has no primaries. Candidates for Parliament are "adopted" by the various parties in each House district. Unlike the U. S. Congress, many members of Parliament do not even live in **areas they represent.**

The British parties have set up elaborate machinery for testing the political appeal and ability of the men they put up for office. Often the party organization "auditions" a likely candidate to measure his speaking ability and general personality before selecting him. There are many instances where candidates are decided upon months, even years, ahead of the election. More often than not, the official filing of his papers as a candidate is just a formality.

—United Press

CAMPAIGNING BY MAIL . . . . . AND IN PERSON
. . . to reach 35 million eligible voters

Lots of union influence. The political role of the British labor unions is a big one—and far different from that played by American unions during a presidential campaign. Here the unions are the biggest financial backers of one of the two major parties—Labor. During the campaign, unions are permitted by law to underwrite up to 80 per cent of a candidate's expenses. In the last election they sponsored 137 candidates and 103 of them won.

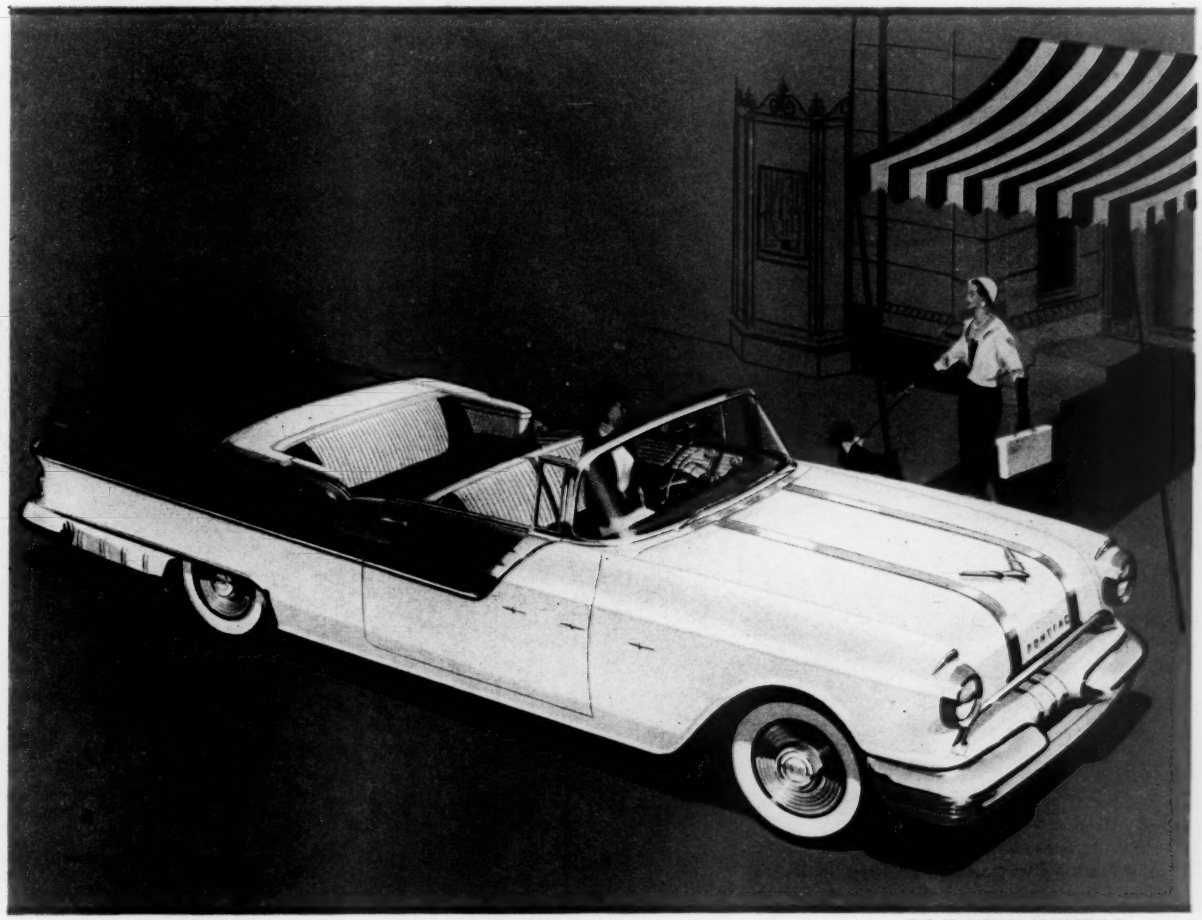
The unions go beyond footing campaign bills. For example, the National Union of Mineworkers makes an annual grant of $700 to $850 for propaganda in districts where the miners back a candidate. In addition, there is a personal allowance equal to $400 a year to help a member with his extra expenses while he is in office. A few unions openly back union officers for Parliament and permit them to continue drawing union pay after election.

Although there is a limit on the extent to which a union may finance a candidate during the formal campaign, there is no restriction on what an individual may contribute to any party in off-years or before the campaign opens. National party organizations are not required by law to make financial reports.

Even though this campaign seems mild by what Americans are used to in national-election years, about 29 million of the 35 million eligible voters are expected to turn out on May 26. Such a heavy vote is not unusual in Britain. In the last two general elections, more than 80 per cent of those registered here cast their ballots—a far higher percentage than is usual in the United States.

Will the women decide? Registration figures are not broken down by sex, but population statistics for those over 21 and eligible to vote indicate there may be 1,750,000 more women than men balloting this year. In a campaign such as this one—where the appeal is peace and prosperity vs. rising food prices—it may well be the women who cast the decisive votes that determine whether Sir Anthony Eden and the Conservative Party are to continue in power in Britain.

Powered to match its future-fashioned style!



THE STAR CHIEF CONVERTIBLE

If you're a motorist who puts a premium on power, it's time you became acquainted with Pontiac's great performance. It is as new and distinctive as Pontiac's future-fashioned beauty—fulfilling with tremendous dash and vigor the brilliant promise of Pontiac's rakish, low-swung lines.

In fact, "distinctive" is far too tame a word for action as delightfully different as this. You don't just go places in a '55 Pontiac. You start with a zestful anticipation you haven't felt in years. And you end the longest drives alert, rested—and eager for a lot more of the same!

It's the Strato-Streak V-8 that makes the magical difference, and only Pontiac has it! That makes Pontiac the most powerful car at its price—as well as the biggest and smartest. And the price is no problem. You can actually buy a Pontiac for less than many models of the lowest-priced cars. Get the facts—now!

Pontiac Motor Division of General Motors Corporation

When you order your Pontiac, specify the four-barrel carburetor. At modest extra cost, it gives you 200-H.P. performance—the most power per dollar of any big, luxury car.

Pontiac

WITH THE SENSATIONAL STRATO-STREAK V-8

CHAMPION Sets the Pace in Papermaking

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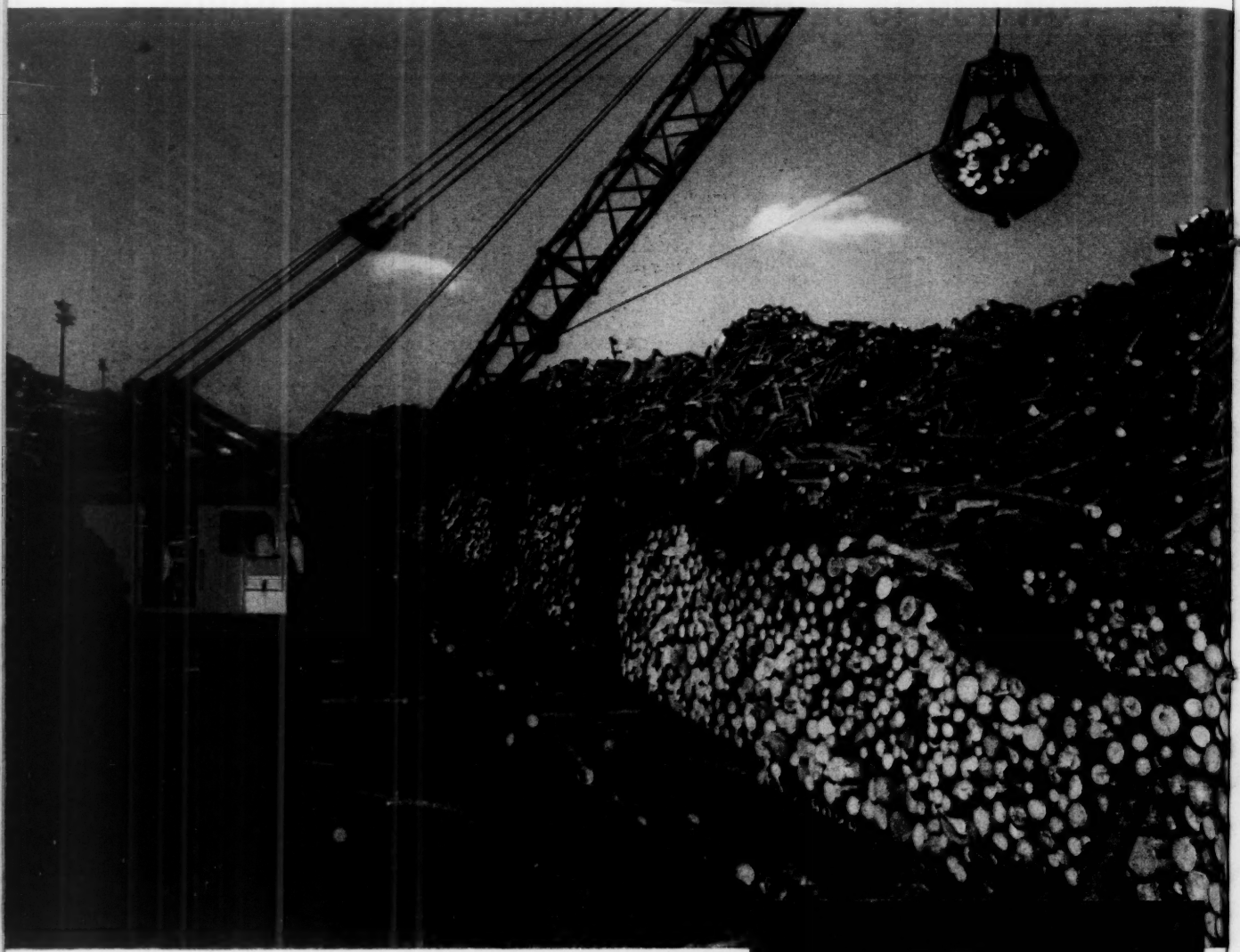
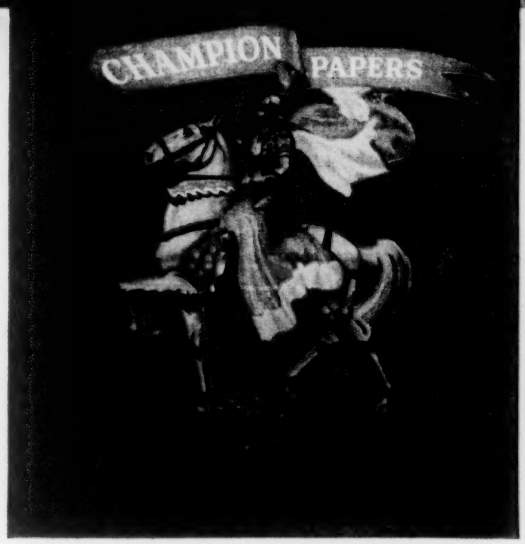


1,000 cords of wood are handled daily at Champion's Texas Division.

Quality Papers Come From Woodyards Like This

Thousands upon thousands of cords of Southern pine and hardwood are handled in Champion's mill woodyards such as the one pictured. They provide the source for the various types of pulp blended by Champion to produce its great line of papers. The skill that goes into this blending of pulp is an important contribution to keeping Champion the leader in the papermaking industry.



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Will U.S. Be Pushed Out of Europe?

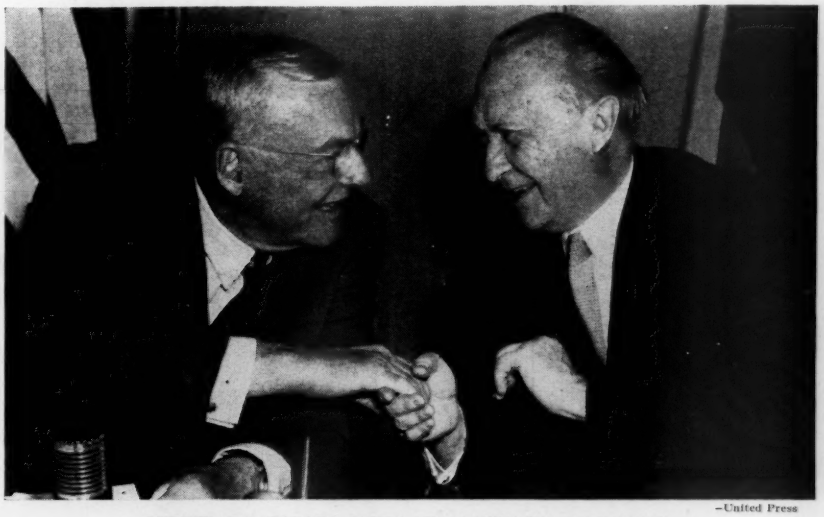
Build-Up of Germany Makes It Possible

Things are turning topsy-turvy in Europe.

Fear of Soviet Russia once sent the Europeans scurrying to the U. S. for help. German help, too, was wanted.

Now that Germany is free, ready to rearm, Soviet Russia doesn't look so formidable. Germany becomes the bugaboo.

Old alliances, as a result, are in for a shakedown.



—United Press

SECRETARY DULLES WITH CHANCELLOR ADENAUER
Will the ties with NATO last?

PARIS

New pressures are being turned loose in Europe. These pressures are rising from the fact that Germany now is a sovereign power with the right to rearm, to choose new allies, or none.

For the United States, there are pressures to get American troops out of Europe, back to bases on the rim of Europe, back to the U. S. proper.

For Soviet Russia, the emergence of a sovereign Germany, allied with the West, increases concern about the security of the Communist empire.

NATO, the North Atlantic Treaty Organization, is coming under pressure too. It was built to allay Western Europe's fear of Soviet Russia. Now there are growing suspicions of Germany.

The whole system of alliances into which Europe has been divided is getting a shakedown. New patterns of alliances are emerging as possibilities. Old systems of defensive alliances are in serious question.

German sovereignty is a victory for U. S. diplomacy, a defeat for Soviet Russia. What comes next is a period of pressures, shifts and adjustments.

The new mood of Europe shows up in the discussions of diplomats here in the last few days. It is based on the reappearance of Germany as a European power, on signs of stress within the Communist empire. Since it became clear that Germany was to get sovereignty and an Army, this has happened:

- An Austrian Treaty, delayed by the Russians for years, has been accepted by Moscow.
- A new disarmament plan has been proposed by Russia. It is called "encouraging" by Western officials.
- Big Four talks between the U. S., Britain, France and Soviet Russia are in the making. President Eisenhower has called them "a test of Russian sincerity."
- A Communist "NATO" is taking shape in Warsaw. It is being set up by Soviet Russia to take in satellite countries for negotiations with the West.

All sorts of troubles are expected to crop up in the days ahead over details of the Big Four talks. There are troubles ahead, too, U. S. officials say, which are less clear than the dramatic developments publicly announced.

Up to now, the checks and balances of postwar Europe have been based on fear of Russia. NATO was built to meet

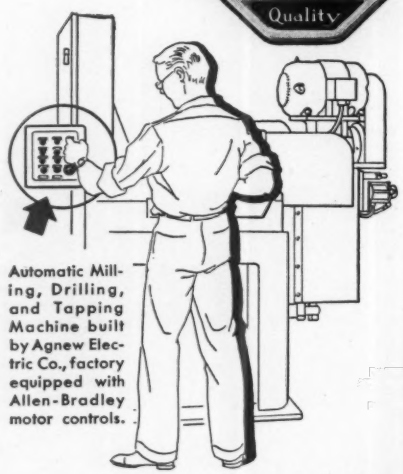
(Continued on page 54)

—Crawford in the Newark (N.J.) News

"CONCERN OF ALL OF US"
Some Europeans fear Russia less, Germany more

THE SIGN OF
Quality
MOTOR CONTROL

A-B
Quality



Automatic Milling, Drilling, and Tapping Machine built by Agnew Electric Co., factory equipped with Allen-Bradley motor controls.

The simple design of Allen-Bradley solenoid relays, contactors, and motor starters—using only *one* moving part—is your assurance of millions of trouble free operations. Furthermore, their double break, silver alloy contacts require no maintenance. You can install Allen-Bradley motor control and forget it.

In the long run, you'll be money ahead if you specify Allen-Bradley control.

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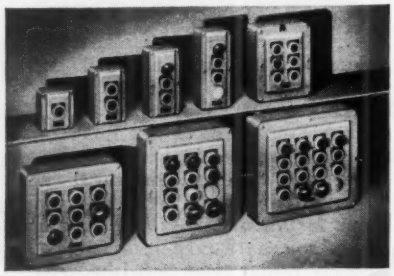

Bulletin 800T oiltight control stations are available in many combinations of push buttons, selector switches, and pilot lights.

ALLEN-BRADLEY
MOTOR CONTROL
QUALITY

[*continued*]

PUSH U. S. OUT OF EUROPE?

this fear. And U. S. military leaders, out to help Europe defend itself, agreed with Europeans that German soldiers were needed to help bulwark the Continent against any Soviet threat.

There was bitter resistance by some Europeans, all encouraged by Russia, to rearming the Germans. It was agreed by Western military leaders, however, that German soldiers would be useful in a European alliance only if they came willingly, only if Germany were a free and sovereign ally of the West.

France, concerned about Germany, resisted the agreements it had signed. On the very eve of his latest trip to Europe, John Foster Dulles, U. S. Secretary of State, told the French he would not go unless they deposited the last instrument making it possible for Germany to enter the Western Alliance. This the French did.

When the black, red and gold flag of a free Germany was raised over the Chancellery in Bonn recently, the West Germans became their own masters. U. S., British and French troops in Germany now are there as allies, on sufferance, no longer as conquerors.

The force to come. The Germans, at this point, are allies of the West. German rearmament is to produce a 12-division Army and an Air Force of 1,300 planes, armed forces of half a million troops, all designed to assist the West in the defense of Europe.

There is not a single German soldier under arms yet. Laws must be passed by the West German Parliament. Volunteers are to be called and trained for "skeleton" divisions before the first conscripts report for training. At best, it will be 18 months or two years before German divisions are ready.

The U. S., pushing ahead with German rearmament, looks to the time when new German divisions under NATO command will enable the gradual withdrawal of many U. S. forces now in Germany. But many Europeans are convinced that Germany will never turn over a single readied division to NATO.

Suddenly, as a result, there is a shift of Europe's concerns. Russia looks less formidable. There is a growing concern about a rising Germany.

The scramble for power in the Kremlin, the decline of Communist parties in the West, trouble inside the Communist empire, all are giving the impression that Russia is not as strong, relatively, as it once appeared to be.

—United Press

WEST GERMAN BORDER POLICE ON MANEUVERS
It will be 18 months or so before Army divisions are ready

Germany, on the other hand, is making a comeback. German workers have rebuilt bombed-out cities and factories. German traders are back in world markets. Germany is a sovereign power, free to rearm, to choose its allies.

Present-day Germany is tied to the West under Chancellor Konrad Adenauer. He has agreed to build a German Army as part of NATO's land forces. But Mr. Adenauer is 79. As Europeans see it, a future German Government may seek other alliances.

Moscow's new bait. Soviet Russia, trying to recover from the blow of Ger-

many's alliance with the West, is asking the Germans to be neutral instead. Hints out of Moscow suggest that Russia is willing to let Communist East Germany unite with free West Germany if only the Germans will quit the Western Alliance.

Few U. S. officials fear that there will be a neutral Germany. As they see it, a people who once were a world power and now have a chance to become a power within the Western Alliance will not accept a neutral position facing Soviet power.

Europeans, too, are not concerned about German neutrality. They fear, instead, that Germany will rearm quickly and will once again seek to dominate Europe.

Russia's leaders see this concern about Germany as a golden opportunity. Moscow has ordered Communist parties all over Europe to play on these fears. In France, particularly, Communists are urging Frenchmen to look to Soviet Russia, not to the U. S., for an ally against a resurgent Germany.

Some Frenchmen are urging a "deal" between the Western powers and the new Communist "NATO." They are anti-Communist Frenchmen. But they see such a deal as one means of policing a rising Germany.

The Dulles approach. U. S. strategy, at this stage, is to pursue the policy which already has led Soviet Russia to a greater willingness to negotiate. For the U. S. the granting of sovereignty to Germany was a calculated risk designed to strengthen Europe against Soviet power. This accomplished, Mr. Dulles is planning to test once again Russia's willingness to negotiate real settlements.

German unification, as Mr. Dulles sees it, can be discussed by the Big Four. But the U. S. will insist on free and honest elections in East Germany, and on the right of a united Germany to join any alliance it chooses.

Freedom for Eastern Europe, too, will be raised by the U. S. in any talks with Soviet Russia. Russia will be prodded to take its troops out of the satellite countries, to permit these countries to have more direct contact with the West.

Disarmament will be discussed as well. But the U. S. will not agree to abandon its lead in atomic weapons unless Russia's great land armies are controlled, too.

The pressures now unleashed in Europe are turning toward new concepts of alliances. The U. S., in the future, may be moved to take some of its forces out of Europe. Soviet Russia, also under new pressures, may face more troubles within its empire. And Europeans, fearing Russia less, but Germany more, are leaning toward new patterns of alliances for the years just ahead.

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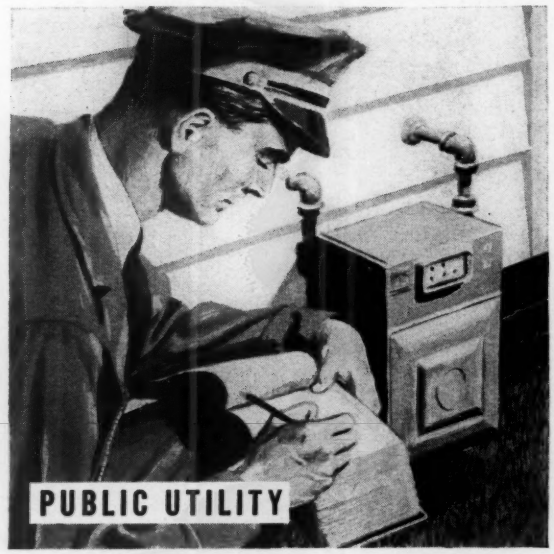

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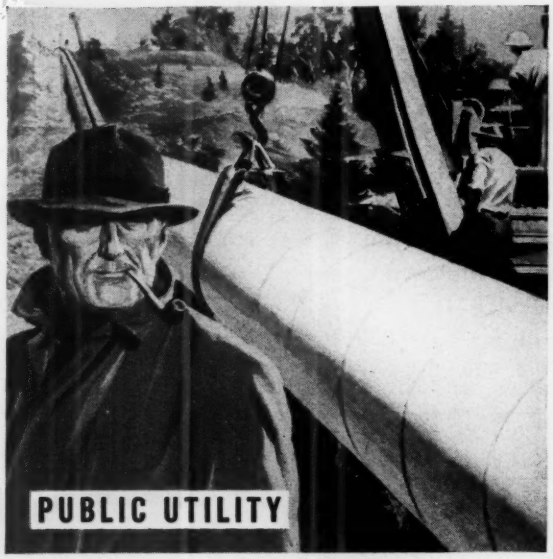

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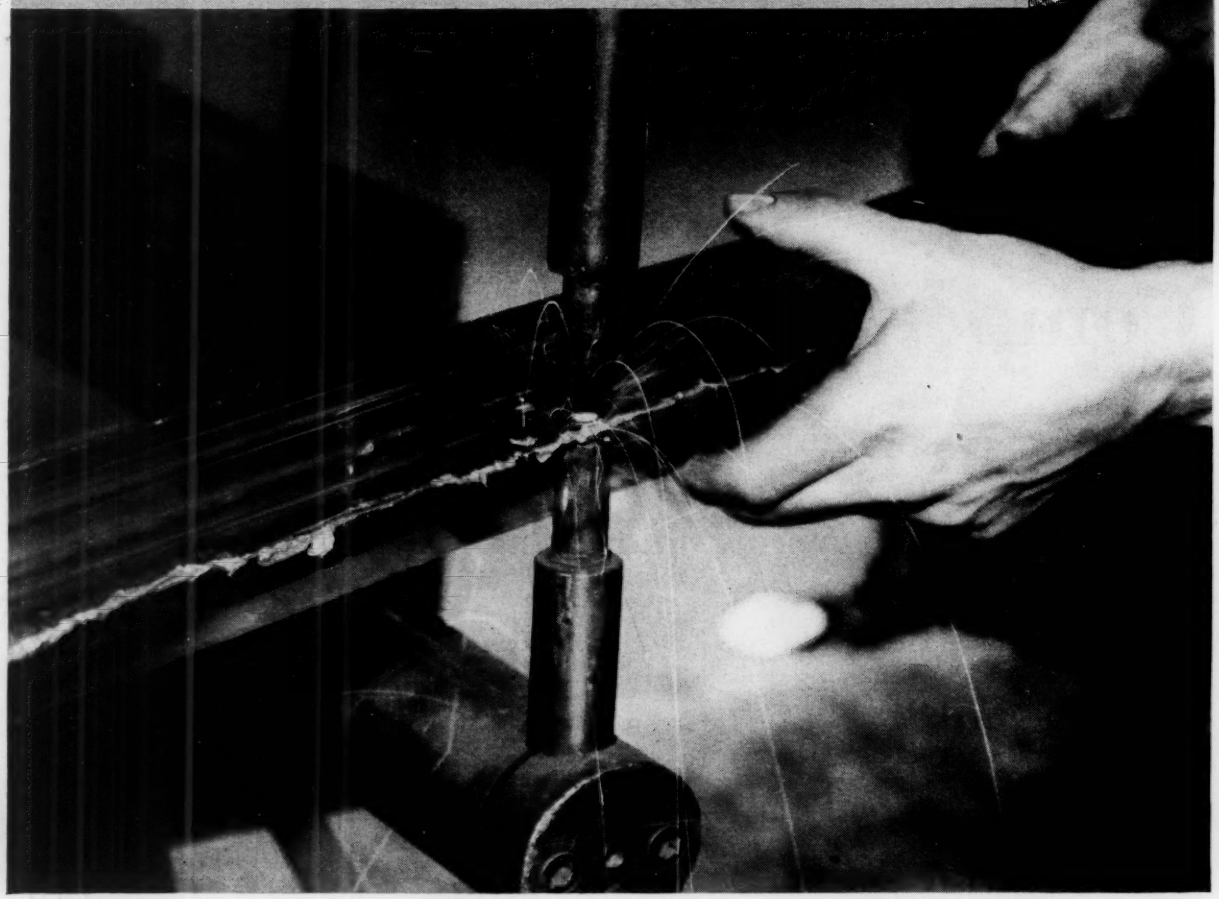

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FROM THE CAPITALS OF THE WORLD

VIENNA....PARIS....SAIGON....GUATEMALA CITY....

>> To understand what's back of all the diplomatic activity in Europe.....

People in Europe are sick and tired of "cold war." They've had enough.

Governments are being pushed by public opinion into talks with Communist powers on Germany, Quemoy, disarmament, H-bombs--all the big problems.

Political leaders dare not oppose Big Four talks. Eden of Britain, Faure of France, Adenauer of West Germany, Eisenhower of U.S.--all have elections to think about sooner or later. And millions of voters see hope in talks.

Taxpayers dream of lower taxes in a world without an arms race.

Draftees look forward to shorter military service, maybe an end of draft.

Public opinion is virtually forcing Western leaders to see if the Communists may not actually be ready to call off the cold war.

>> Thing that stirs hopes particularly is the Austrian settlement.

Soviet troop withdrawal from Austria will be a tangible deed, something real. Even skeptical diplomats are impressed. They hadn't expected it.

Germany, however, is a bigger, tougher problem, far more important to the Kremlin than Austria. Disarmament is even thornier than Germany. The road to solution of these problems will be long, cluttered with booby traps.

Talks at high levels on these matters are nevertheless in prospect, on the chance that Moscow's concessions in Austria were just a curtain raiser.

>> In a look at Soviet Russia's new scheme for world disarmament.....

Concessions to the West are substantial. Several Western ideas that had always been rejected and denounced by Moscow are now calmly accepted.

Ceilings on armed forces, as proposed by the West, are incorporated in the Soviet plan. For years Moscow argued that all the powers should reduce their armed forces by one third--leaving Russia and Red China still far out in front. Moscow now agrees to a 1.5-million-man ceiling for itself, U.S. and China.

Step-by-step reduction in both conventional and nuclear arms is proposed by Moscow this time. It's another Western idea, long resisted.

A-bomb compromise, of a sort, is also accepted by Soviet planners. They had favored immediate prohibition of all nuclear weapons. Now they agree that such weapons can be used, in self-defense, pending final agreement on outlawing them.

>> If you look closely, you can see a few traps in Moscow's new disarmament scheme. The traps may be more important than the concessions. For instance.....

Occupation troops in Germany, Moscow proposes, should be withdrawn "to their national frontiers." This would put Soviet troops in Russia, not very far from Germany, but put U.S. troops back across the Atlantic, 3,500 miles away.

(over)

Rearming of West Germany would be impossible under the Soviet plan, since it would "freeze" all armed forces as of Dec. 31, 1954, then reduce all forces from that 1954 level. West Germany, however, had no army on that date.

All foreign military bases, Moscow suggests, should be abolished. U.S., that is, is invited to withdraw from bases in Britain, France, Germany, Spain, North Africa, Middle and Far East, Iceland, Greenland, maybe even from Panama.

Soviet veto in U.N. Security Council could operate, under Moscow's plan, to prevent the U.S. from using any nuclear weapons, even in self-defense.

Inspection system to check on nuclear-weapon production and stockpiles, as proposed by Moscow, is vague, seems to put limits on where inspectors can go.

Enforcement of arms cuts and nuclear prohibition is modeled somewhat on Korean pattern, which hasn't prevented a big Communist build-up in North Korea.

>> U.S., in this new disarmament scheme of Moscow's, in effect is told to get out of Europe, Asia and Africa and, in addition, to give up its advantage in A-bombs and H-bombs, the big deterrent to Communist military aggression.

Disarmament, Moscow style, is hardly in the cards just yet.

>> In Saigon, the longer U.S. officials look at the mess in Vietnam, the less they like the outlook for the U.S., particularly for the U.S. taypayer.

U.S. is searching for a way to pull out of South Vietnam altogether.

Paris agreement between Secretary Dulles and Premier Faure of France on U.S.-French policies in Vietnam doesn't really change matters much, doesn't settle future of Premier Diem of South Vietnam, doesn't guarantee stability.

Moreover: Paris policies, as laid down by Premier Faure, are one thing. French actions in Vietnam are something else again. Paris lobbyists--military men, colonial businessmen with a big stake in Vietnam--often dictate policy.

One French idea is that Communists are going to take over anyway, so thing to do is learn how to do business with them. U.S. has had to fight this idea.

If French really give Diem all-out support, if U.S. can train Vietnamese troops fast enough, if warring sects in South Vietnam line up with Diem, then maybe U.S. investment in the country will pay off.

Right now, the outlook is far from promising.

U.S. investment of some 400 million dollars a year is turning sour. It's possible that U.S., before long, will dump Vietnam back into France's lap.

>> Communists in North Vietnam are trying this tack to undermine Premier Diem: They're promising minority groups home rule, offering local independents to the sect leaders that Diem, in South Vietnam, is struggling to win over.

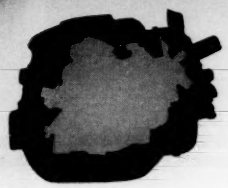
Communists know that some sect leaders want their power, their armies most of all. Diem is trying to break up their armies, whip the leaders into line.

Rather than lose power, some leaders may fall for the Communist's bait.

>> In Guatemala, somewhat closer home, there's also a question as to how much it's to cost U.S. to keep that small country anti-Communist.

Current U.S. outlay is about 6.5 million dollars a year.

But President Castillo, who forced a pro-Communist government into exile 11 months ago, is in trouble. Coffee revenues, a big item, are depressed. Debts inherited from the pro-Communist government are coming to light. More U.S. aid, more attention by Washington, may be needed to keep Guatemala anti-Communist.



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955

Interview —with GENERAL FRANCO

By David Lawrence

"WHY FEAR RUSSIA?"

Here for the first time General Franco gives an interview in an impromptu manner—without previous submission of a questionnaire, as has heretofore been his custom.

Here, too, is the longest interview ever granted by the head of the Spanish Government. It was conducted recently at Madrid by David Lawrence, Editor of *U. S. News & World Report*, who spoke in Spanish. The personal stenographer for the Chief of State recorded the conversation.

At the conclusion of the talk Mr. Lawrence suggested the possibility that the General might wish to revise the manuscript, as is customary among public officials. General Franco said: "I think I have said just what I wished to say and, because you are an honorable man, I know you will present accurately what I have said. So I do not need to read the manuscript."

The full text of the interview, exactly as it was transcribed in Madrid and then translated in the office of *U. S. News & World Report*, has been released to the press of the world for morning newspapers of Tuesday, May 17. It follows.

At the EXECUTIVE PALACE, MADRID

Q *What does Your Excellency think of things in Europe, especially the North Atlantic Treaty Organization? Is it necessary that Spain be a member of that organization?*

A If there had not been tension in the relations of Spain with France and England in recent years, it would have been desirable and natural for Spain to have entered the North Atlantic Treaty Organization, because it was a means of collaboration of all Western Europe in the common task of defense against the danger of Communist attack. But inasmuch as there have been fierce political campaigns against Spain in France and England in all these years, which at one time reached the point of closing the frontier and cutting off communications between France and Spain—not through our initiative, but that of France—this created an internal political situation, in France as well as in England, very difficult to overcome. It has produced likewise in Spain reactions of natural opposition toward coldly entering into a collaboration within the North Atlantic Alliance unless an emergency required it.

This situation, however, has been taken care of by our understanding with Portugal. We now have the Iberian Defense Treaty with Portugal and the latter is, of course, in the North Atlantic Treaty Organization. In effect, we are in it through Portugal.

By linking ourselves subsequently through another treaty and other agreements with America, we find ourselves likewise bound to that very defensive alliance. And so the effect is the same.

The only thing we lack is a more intimate collaboration on our part with the major nations of the North Atlantic Treaty, be it directly or through the United States, which would permit us, for example, to explain our thinking regarding the necessities of the defense of the West. For we have many reservations regarding certain of the ideas that have been made public about the defense of the West. We believe that NATO could be more effective and that a superiority is being bestowed upon Russia to which she is not entitled and which she should not have.

Q *The superiority of Russia in what way?*

A For example, the Westerners say: Russia has a very large population, Russia has so many divisions, so many tanks, so many aircraft, Russia is superior, we can do nothing with Russia—we need the atomic bomb. And I ask: "What happens if the atomic bomb is not used? Is the West superior or inferior to Russia?"

I maintain that the West is superior to Russia even without the atomic bomb. The nations of the West have more men than Russia, they have more industry than Russia, they have more intelligence and more technical preparation than Russia. Then why concede a superiority to Russia? Why fear Russia?

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Attitude Toward Defense of Europe . . . First Report on Political, Economic Progress . . . Firmness Against Reds

Furthermore, there is another factor that is more important, most important: Russia is the prisoner of the 12 or 14 nations she has occupied. She has to maintain order and peace in some nations that hate her, including some inside Russia itself. How many millions of prisoners are there in concentration camps in Russia? If Russia threatens the West with aggression—and if the West has determined on a good policy and knows how to take advantage of the characteristics of those countries which offer to the West their spirit of resistance—Russia will have to expend millions of men in the occupation of those countries in order to face the uprising which could be organized in those countries.

Q *Does Your Excellency believe that the spirit and the morale of our side is the most important thing?*

A Perhaps that morale of resistance does not exist in the minds of some of those on our side who are managing political affairs, but in the peoples I believe the morale is superior to that in the U.S.S.R.

Russia can do only easy things. She never will be able to stand up against a war of European insurrection against her.

Q *In France and England there are elements, small but very strong, that sympathize with Russia—*

A Russia has bought up the consciences of many persons in Europe and in America and everywhere else. In France, politics is more easily corrupted; in America, less so. But in France and England we have seen men of position and of good social standing who were paid Russian agents. Have we not observed even some atomic scientists who themselves were in the service of the U.S.S.R.? Russia since 1918 has been making preparations for the invasion of the world and has been buying men's wills, and nobody asks how much she has spent on it. That is the danger which the nations of the West face.

Q *What does Your Excellency think of the proposed conferences of the Big Four powers?*

A That they are a platform of propaganda for Russia. Evidently Russia finds herself in a difficult situation at this time and has to save herself. When Russia takes a step of friendship, it is because this is advantageous for her. And, if that is the case, it is because in Russia today there are two problems: one is the internal problem of the succession to Stalin, not yet resolved, and the other is the assimilation of the occupied nations, which loathe the presence of Russia. Russia does not find herself in a strong situation to confront the West; she has to gain time and will gain it as she can.

• In the interview on these pages, General Franco discusses the forthcoming four-power conference, the attitude of the West toward Russia, the relationship of the North Atlantic Treaty Organization to Spain, the evolution of Spain under its present form of government, business opportunities for foreign capital, press censorship, the method of lawmaking in the parliament and other subjects on many of which this is his first public expression.

Q *When the Soviets really want to negotiate something important, as they did directly on the Austrian Treaty with Chancellor Raab, they didn't need a dramatic conference of foreign secretaries except to ratify the agreements made by ambassadors—isn't that in itself proof of their insincerity?*

A For Russia, anything is a weapon. The United Nations is a weapon; the four-power conference is a weapon, which she uses marvelously. She converts everything into an infernal machine at her service.

Q *Does Your Excellency believe that Russia intends to go to war in behalf of China?*

A The biggest enemy of China is Russia, although China isn't aware of it. Who, other than Russia, could devour China? Who, more than Russia, fears that China will become great? The interests of China and of Russia always have to be completely opposite. If Russia can involve China in a war that will destroy her, she will do it.

Q *Yes, that seems to be what happened in the last war with Germany—*

A Her purpose always will be to destroy her neighbors and then devour them.

Q *What would Your Excellency consider to be the most important accomplishment of your regime with respect to the internal life of Spain, since you became Chief of State?*

A The economic recovery of Spain and the raising of the standard of living of the Spaniards.

(Continued on next page)

. . . "The National State has arisen to serve general interest"

Q *Does Your Excellency believe that the people are more contented now than they were 10 or 20 years ago?*

A I believe so. If I did not believe so, I would not be here.

A PRIVATE-ENTERPRISE SYSTEM—

Q *At this stage of your Administration, what kind of an economic system do you have—is it one of private enterprise or of the state? How should your economic system be defined?*

A Ours is a system of private enterprise, in general; but in matters that affect the interest of the whole nation, when private initiative does not meet the need, the state substitutes for it as a service for the common welfare.

Q *In the future, will there be more or less state intervention in the national life of Spain?*

A There will be as much or as little as is necessary. We emerged from a situation where the general economic problems had been neglected during many years of misgovernment. Thus, private initiative was serving personal interests, not the public interest. The public interest then vanished in the face of private interest. The National State has arisen to serve that general interest of the nation.

Q *In the future, in the matters of public works, will private enterprises be allowed to participate? In our country that is the way we approach it—*

A In that sense we have the same standards as, for example, the United States. Your country has believed it advantageous for the general welfare of the country to construct, for example, the great projects of the Tennessee Valley, and the Government has carried them out. We have proceeded in exactly the same way in the interests of the nation.

Seeing that the country lacked electricity, we are faced with a problem. And why? Because in Spain we are limited to hydroelectric power which can be obtained advantageously and at low cost. And although there were large private companies that had built large installations, such as, for example, the Iberduere Company, on the other hand, because we do not have thermal or steam plants, the life of the whole country was disrupted by a lack of electricity when a drought came. And as there were no private companies to solve the problem, what course was open to the state but to provide the necessary thermal electric plants? These plants supplement the hydroelectric power by 30 per cent and prevent interruption of the work and life of the Spanish people.

Naturally, the state wishes that private enterprise would build these works. Right now there is a company, the Spanish Hydroelectric Company, which has requested permission from the state to construct a large thermal plant, and the state, furthermore, has given all kinds of assistance and, thanks to the agreements with America, has made available the necessary dollars.

The state, then, does not attempt to undertake projects except in the cases where this is made necessary by the lack of private initiative and where, consequently, state intervention is indispensable.

Q *Could Your Excellency tell me something about the investment of foreign capital in Spanish enterprises? What is your thinking about this?*

A In Spain there are many companies with foreign capital. We are not opposed to it. But we need foreign capital for so many things that we try to apply it where it will do the most for the general economy of the country.

FOREIGN-CAPITAL OPPORTUNITY—

Q *Is it true, as they say, that 60 per cent of the capital has to be Spanish?*

A In Spain the industrial laws provide that foreign participation in Spanish enterprises can be as much as 25 per cent, as a general rule; but when a larger proportion is necessary, then the Government can authorize it. Very recently the Standard Electric of your country requested permission to increase the foreign capital for its factory—which makes telephone materials—by an amount considerably above that percentage, and the Government has given its permission.

Q *What percentage of foreign capital is there in that enterprise?*

A I believe that the foreign participation is 65 per cent and that Spaniards have the other 35 per cent. There is also Italian capital, and the Americans have about 60 per cent.

These limitations arise from the necessity of our balance of payments. Because the economy was so neglected, it had reached a point where Spain could not pay interest on the foreign capital invested here. And for that reason we have had to direct that foreign money may come only when it is indispensable—for really necessary purposes—in order to be able always to meet our obligations.

Q *Does Your Excellency wish to send any special message to the businessmen of the United States?*

A Tell them that we want to increase the purchasing power of the Spaniards so as to multiply and intensify all trade. In this sense we believe that at this moment financiers and promoters of enterprise from the United States have a very vast field for collaboration with us. And tell them also that we have always been very satisfied with American technology, in the contacts that we have maintained with it.

Here there are enterprises like, for example, the Firestone Company, which operate very well and with which we are on very good terms. And the same can be said of the General Electric and the Standard Electric of America. There are American companies in Spain which have done very important things.

Q *What does Your Excellency see as most essential for the future economic development of Spain?*

. . . "We need many electric plants and other machinery"

A When we were carrying out our war of liberation, we began then to study the problems that the nation was facing, and we saw that the most serious one was that, during nearly a century, many efforts had been wastefully exerted and many things of little economic use had been attempted. While other countries had been experiencing considerable industrial and scientific progress, Spain lagged behind. The foreign companies were almost the only ones that had accomplished anything in Spain, because the Spaniards, with their internal political fights, neglected the economic interests and necessities of the country.

In the early days, in the Spanish countryside everything was based on animal power, and industry was founded, not on the machine, but on men's muscles. And as agriculture and industry began to experience a transformation by the introduction of mechanical methods, we found that we needed machinery, tractors, transport vehicles and so forth. And we brought these from abroad.

How could that be done? Because the Spanish economy used to be a more flexible economy than it is now. We had an area of about 195,000 square miles in Spain, but we had another 195,000 square miles outside, which included Cuba, Puerto Rico and the Philippines. For that reason, at the time when Spain was left with only the 195,000 square miles of its metropolitan territory, it lacked those complementary resources, and in place of making up for them with work and industrial progress, we Spaniards became absorbed in political fighting against one another, and had to import everything from abroad.

NEED FOR ELECTRICITY—

At the beginning, a large number of Spaniards stayed in those countries, and, as they sent allowances to their families in Spain, this country could continue maintaining its economy, although with difficulty. But, at the moment when this aid was curtailed, Spain found herself in a situation where it was painful to survive. Thus, we endeavored to bring the payments into balance and at the same time to raise the standard of living of the Spaniards, creating the proper industries so as to be able to live. We drew up a methodical program in order to cover these necessities, the first of which was electricity, which we needed for everything; and then we called for the complete utilization of the raw materials that we had.

We prepared a program of minimum necessities, and we are carrying it out. We called upon private initiative to do what it could and, when that was not sufficient, then the state set out to collaborate in this great work, to do it, if possible, in conjunction with private enterprise.

Today, the state participates in many companies, but, little by little, it is relinquishing its stock because it has no interest in continuing in private business, but only in helping to bring it to life.

Thanks to the agreements with the United States, we have been able to increase the tempo of our industrialization. For example, we need many electric plants, and that aid makes it easier for us to have them. In other instances machinery and so forth are needed, and they are obtained with this help. Thus we are intensifying our production and we are able noticeably to raise the standard of living of the Spaniards.

One bit of data reflects this: Ten years ago Spain had 400,000 telephones. Today there are 1,004,000. And the same thing has happened with the per capita consumption of electricity, which has increased extraordinarily.

HOW U.S. CAN HELP—

Q *In Your Excellency's opinion, how can the American Government help in these things?*

A I believe that the American Government can help Spain, and the world in general, by making available long-term credits. All countries face a similar problem, of raising their standard of living. In order to accomplish this, it is necessary to work more and to create centers of production and of labor, with the object of giving the people the maximum purchasing power. The majority of nations cannot solve this problem by their own means, because today technology is so precise and industrialization is so great that not all nations can do the job by themselves. Some need certain raw materials, others need machinery. Still others need various other elements. And the United States can facilitate all of this.

Today the world neither produces nor exchanges all that it could produce and exchange, because of lack of economic capacity.

Q *These credits—what length of time does Your Excellency consider necessary for them?*

A That depends. According to what they are for.

Q *Would you say 30 years?*

A That is sufficiently ample.

Q *Don't you think that some part of that help could be in the form of grants of money by our Government?*

A I think that the nations can pay.

Q *Your Excellency really believes that?*

A Naturally. And that they should pay.

Q *To hear that is a novelty to us—*

A The United States will be making a mistake if it does not give credence to the responsible Spanish persons who speak of the need for economic aid. For it is evident that having military bases in Spain obliges us to make an excessive expenditure which could otherwise be undertaken at a slower tempo. Today we have greater responsibilities, and this requires us to speed up investments in order to accelerate these works. If we carried all this in

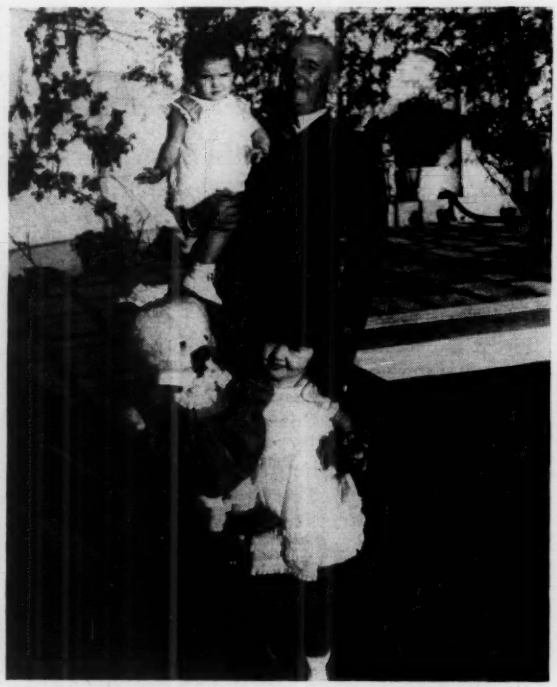
(Continued on next page)

. . . "Old nations have to evolve toward new forms"

our budget, it would overburden the taxpayer to the point where he would be unable to stand it.

These are, then, extraordinary expenses. For example, we have to transform all our airdromes completely, because we must greatly increase the size of the installations. And at times we shall have to divert roads, and at other times move groups of people and make a new town for them at another location, and so forth.

Q *What does Your Excellency think about the opportunity of tourism in Spain particularly in relation to the American tourist?*



General Franco poses with his grandchildren in the garden of his official residence, Pardo Palace

A In this, in spite of the fact that there are great opportunities, we are able to carry on only at a rate which the facilities of our country permit. Tourism demands preparation of hotels, and we are intensifying this phase with our own means. Every year tourism here increases.

Q *In the United States there are a great many more people who want to come to Spain than are coming now—*

A And the day when the United States knows Spain better there will be even more. We, for example, have a marvelous seacoast.

They tell me that in New York when you go to a beach you find an enormous excess of people. Here, in contrast, the tourist can have the beaches that he wants without crowds.

Q *By the way, Your Excellency, my wife tells me that one thing she misses in Spain is that in the places where tourists stop there is no American-style coffee. She adds that that is the only thing that is lacking—*

A Then don't worry; we shall furnish that coffee service.

CRISIS IN POLITICAL SYSTEMS—

Q *And, thinking of the future, what do you believe would be the best for Spain—a chamber of deputies with a system like that of France or that of Germany or that of England, or that of the United States?*

A I judge, in relation to the general political problems of the nations, that there exists in the world today a crisis of systems. The old nations which have worn out their political systems have to evolve toward new forms. The events that have occurred in Europe in the past 40 years show us that the political systems of Europe do not satisfy the needs of the countries which are old and overpopulated.

And it is no mere whim, for example, that in Russia Communism exists and that other countries follow; or that there has been Fascism in Italy, Hitlerism in Germany, a special system in Portugal and one in Spain. No, this is not whim. We men are not the ones who create the political systems; it is the historic necessity of the nations which forces them to seek solutions to the political problem presented to them.

In Europe in general, and particularly in Spain, the political systems were moving toward Communism and would have ended in Communism, because inorganic democracy opens the doors and gives opportunities to Communism and tyranny to establish itself. And it is clear, if we do not wish to fall into that of total negation, which is Communism, and if we do not want to see our personality extinguished and our country destroyed, then we have to seek solutions to the political problems, and not by those routes that have brought failure to us, but by new routes.

And so we have had to give an organic and balanced form to democratic representation; that is to say, the participation in government of the national interests through the Cortes [Spain's national legislative body] and not through political parties, which sacrifice the interests of the nation to those of the party itself.

It has been necessary, then, to resolve the needs of the nation through its own natural organizations. And, therefore, we base ourselves on the municipalities, the organizations of the provinces, the unions, the corporations, the institutions of public law, the universities.

These entities send their representatives to the Cortes,

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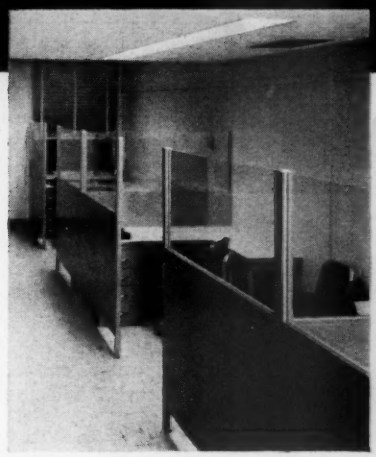

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. . . "Eisenhower has more power in U. S. than I have in Spain"

so that in balanced form—one third unions, another third of the cultural institutions and the other third of the municipal organizations—they are able to exercise the same functions as deputies exercise in all countries, but without the passions or the party fights, and dedicated only to the service of the nation. As they are the representatives of responsible organisms, those organisms exercise a check upon their representatives when they do not serve their legitimate interests.

The making of laws and the dissemination of public information about laws and the participation of all Spaniards in the legislative tasks are being carried out efficiently. They are not done with the democratic formalisms that are used by the inorganic democracies in many countries, but it is evident that this system here complies with a living reality.

We already have held five legislative sessions of the Cortes in three years. The Cortes has enacted more than a thousand laws, and has rejected 120 proposed laws. The system, then, functions effectively. And it has the advantage, furthermore, that in the Cortes we have no Communist infiltration and we are guaranteed against it. Nobody can take advantage of liberty to destroy liberty, as happens in other countries.

Q *In the future, will there be a Chief of State who can veto an act of the Cortes, as in the United States?*

A In my years as Chief of State I have not vetoed a single law. But if I wish to veto a law, I have to listen first to the Council of the Realm, an organism created by the popular referendum in 1947, which comprises the President of the Cortes, the President of the Council of State, the President of the Supreme Tribunal of Justice, a representative of the members—*procuradores*—of the city councils in the Cortes, another from the universities, the oldest captain general in active service and a representative of the Church. I have to listen to this Council before vetoing a law. And the same will be true of the person who succeeds me, according to the tenor of these laws. Thus, the action of the Chief of State is limited by this Council of men—representative of and responsible to the nation—who are called upon to give their advice.

HOW LEGISLATORS ARE ELECTED—

Q *It is very interesting to know that municipal elections have been held in Spain. That is an innovation, isn't it?*

A Well, in Spain under our regime they have been held several times. We have been holding them for 12 years.

Q *And in these elections the people can express themselves through the vote?*

A All the heads of families.

Q *Can the municipal councils elect representatives to the Cortes?*

A The municipal council is composed of three parts. One third consists of the heads of families, who name their representative. The local unions elect another third part, and then those two groups together elect the other third from among persons who, because of their ability and prestige, deserve to be integrated into the municipal corporations—they may be university men, important personalities, heads of businesses and so forth. The municipalities of the provinces name their representatives to the Cortes.

Q *Then it's an indirect system?*

A Yes, that is it.

Q *In the United States many years ago we had a somewhat similar system under which the Senators were elected by the legislatures of the States and not directly by the people—that is to say, a system of indirect election of Senators—*

A We are seeking to get more sincerity into the vote. In an inorganic democracy the people do not know the candidate, who he is and what he is going to do. In contrast, here the candidates are responsible persons and the electors know the person they are going to name.

Q *In the United States they say that Spain today is a dictatorship—*

A General Eisenhower has more power inside the United States than I have in Spain.

STANDARDS FOR JUDICIARY—

Q *And what do you think about a system with three branches of government—executive, legislative and judicial?*

A In Spain, entrance upon a judicial career is made through an examination for competence. Lawyers who want to have that career present themselves for this examination, and those who examine them and who give their approval are career judges, magistrates of high class. The aspirants then enter the judicial school. They are there six months, during which time they are examined as to morality, probity and so forth, and then they become judges. In their career they advance little by little. They obtain most of their appointments by seniority, except the presidents of the Audiencias [lower courts] and the presidents of the courts, who are named by the Government on the recommendation of the Supreme Court.

To fill vacancies in the Supreme Court, it is that court which presents the list of magistrates who are eligible to be appointed. It gives the Government a list of three names, and the Government generally accepts the first one. The Government has no choice, and furthermore the magistrates cannot be removed. Our justice is a most respectable justice, and cases of betrayal of trust are unknown in this country.

Q *In the future, will the Chief of Government be elected by the Cortes or by whom?*

A Always by the Chief of State. Under the democratic systems the Chief of State had been accustomed to call

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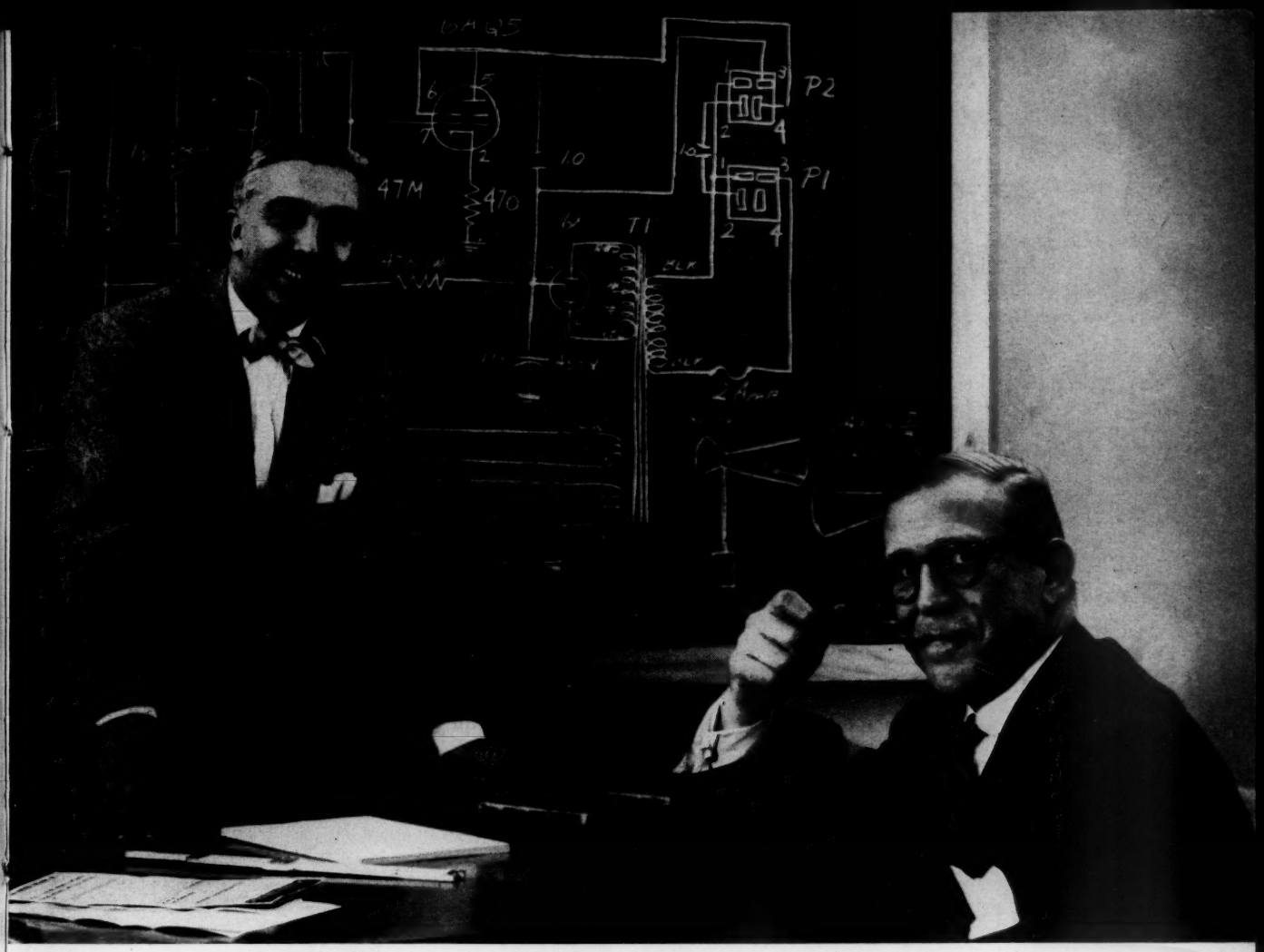

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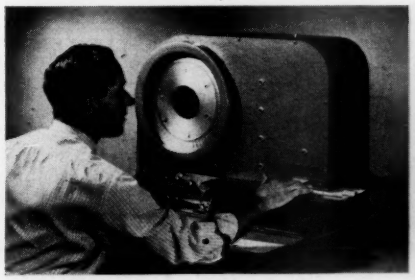

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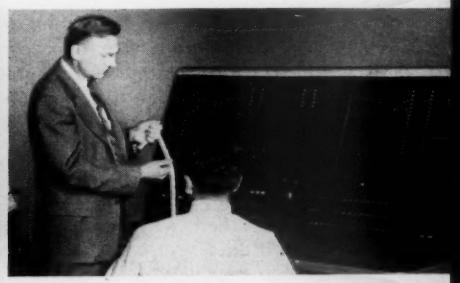

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. . . "What we have to do is watch over the press"

in the chiefs of parties, consulting them as to who should be given the power. Since we do not have heads of parties, the Chief of State, in cases for his personal decision, consults the Council of the Realm, and, after listening to it, names the individual. It is exactly the same as the way in which the King of Spain formerly named the premiers, but he then named them only after listening to the six or eight chiefs of parties.

I can be Chief of Government, or I cannot be. I have assumed the responsibility of Chief of Government because I believe it a necessary, constructive step in the life of Spain at the present time; but I can, in a given moment, name a Chief of Government [Prime Minister] and remain solely as Chief of State [President].

SPAIN VS. COMMUNISM—

All of our policies and our political requirements are forced upon us by a very grave fact that exists today in Europe: Europe is moving toward Communism, and Spain would have fallen for it already had it not been for our efforts. We have to maintain a regime that will avoid letting Spain fall to Communism. We have to close the door against the possibilities of Communism. But, at the same time, through an eminently social policy, we must avoid having our workers, our masses, succumb to the temptation of Communism. This policy can be formulated only by a nation in a state of progress. We have to increase the economic progress of the nation in order to be able to satisfy our workers through social accomplishments, showing them in an effective way how their problems can be solved without the deceits of Communism and showing them at the same time what Communism really is.

Q *How long a time, does Your Excellency believe, will elapse before you may find it necessary to separate the heavy duties of the Chief of State and of the Prime Minister or Chief of Government as you call it?*

A As long as my health holds out and as long as the country wills it. For a constructive work like this, authority and prestige should not be lacking. The authority and prestige that I have in Spain give me much greater facility and help in the accomplishment of this task.

Q *Several articles have appeared in an English periodical saying that Spain is in a state of transition, in the sense that there will be interesting changes in the near future. Would you care to give an indication as to the time that you have in mind for these changes?*

A I can tell you only that Spain is not holding back or standing still, it is going ahead. Since you have mentioned the English press, there are some publications which are very deceitful regarding us and which never say anything good. But we understand well the businessmen of England, we have good relations with them. Englishmen in the field of commerce and finance always have made it possible for us to understand them perfectly. They are worthy and correct people. I repeat that we understand each other well.

Q *Would Your Excellency care to say if there will be changes in the laws regarding press censorship? In my country there are many people who ask what kind of press censorship there is in Spain—*

A We do not believe in the existence of "freedom of the press." We believe that the press always is in the hands of its owners; that is to say that, if there are 50 or 60 newspapers in a country, their owner is the person who has freedom of thought, but the rest of the citizens do not have that freedom. If the newspaper is merchandise, since it belongs to a mercantile enterprise, the newspaper is at the mercy of the highest bidder.

In any country, including the United States, some day Russia with her millions may appear and buy up newspapers. It will be said to me, "But they won't let her." Yet aren't there men in Russia who are able to buy the newspapers? And an instrument of culture and of information, such as the newpaper is—can it then remain if it has no moral restraint?

It is difficult to make a law that will eliminate all the malice published in the press. In the world today there are powerful men buying newspapers, some in order to engage in deceit, as happened with *La Gaceta de Franco* in France, and others at the service of Russia so as to bring about a state of unrest.

This makes it necessary for the nations to be watchful over their press, and I am convinced that in 10 or 15 years all nations will have to watch their press and establish a procedure for it. What we have to do here is to watch over the press. And how do we do it? By allowing that which is just and prohibiting that which is not. For example, it is not proper to attack the chiefs of other states with which Spain has relations. It is not proper to attack other nations systematically. It is outside the realm of healthful criticism to write deceptively, to make excuses for crimes.

HOW PRESS IS CENSORED—

There are a number of measures that serve as a censorship rule for the directors of newspapers. In more than 50 newspapers the directors themselves are those who exercise censorship. Others, when they have doubts, consult them to determine whether the material is allowable.

I shall give you an example. One day they were going to publish the news that Beria was in Málaga, Spain. One of the principal newspapers of Madrid was about to publish that news. The Administration of the Press was informed in time and immediately a messenger was sent to the director of the newspaper with instructions not to publish that news because it was false and, furthermore, it held Spain up to ridicule. But the newspaper, in spite of everything, published

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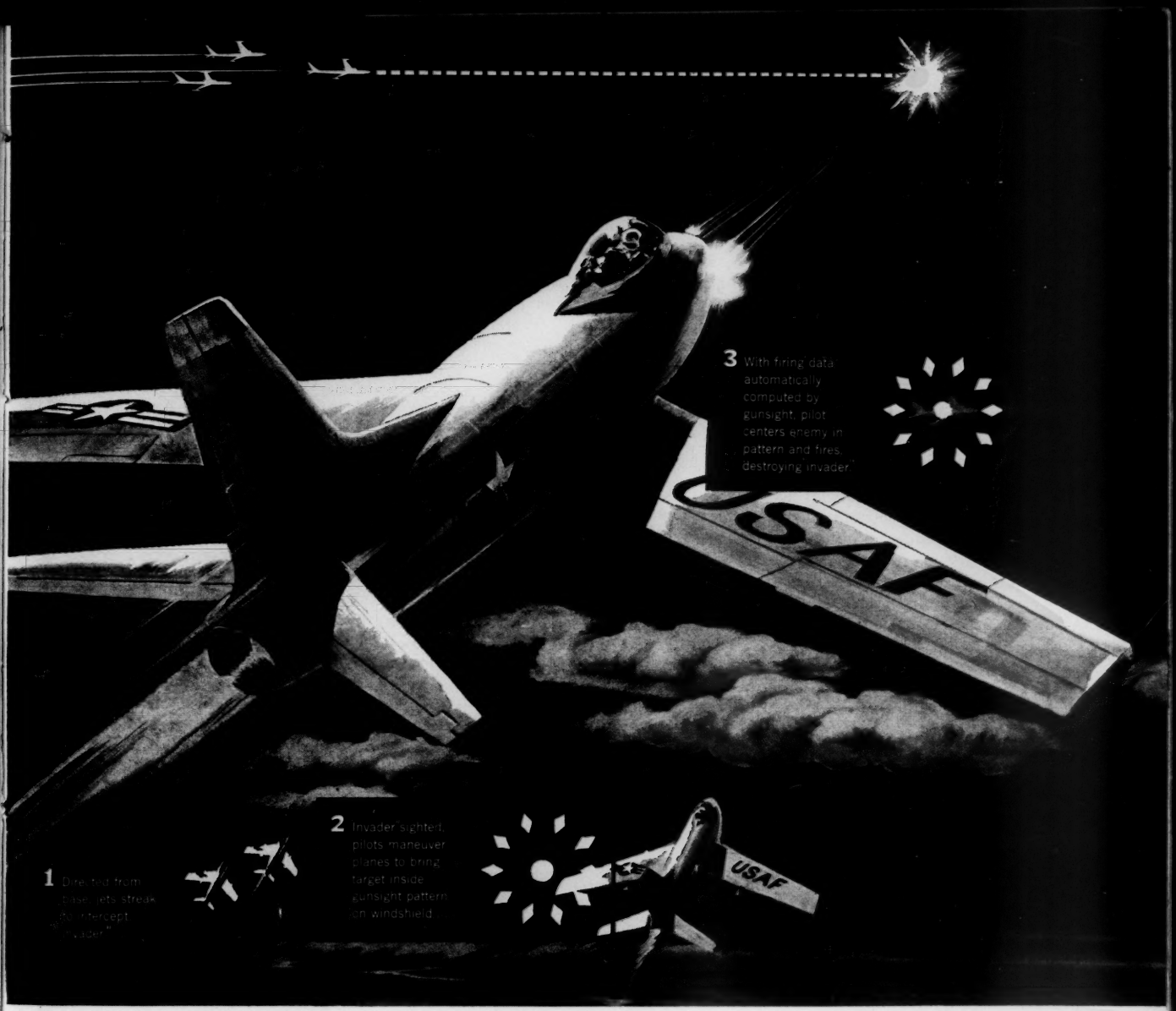
3 With firing data automatically computed by gunsight, pilot centers enemy in pattern and fires, destroying invader.
2 Invader sighted, pilots maneuver planes to bring target inside gunsight pattern on windshield.
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. . . Anti-Semitism in Spain? "I deny that absolutely"

the news, holding itself up to ridicule, because to say that Beria had escaped and was in Spain was absurd. Tell me if this newspaper did not deserve punishment?

Q *Was censorship made necessary by the Civil War? Is that the reason why there has been censorship in Spain for so many years?*

A It can be said that in every era there has been press censorship in Spain. In the era of the republic there was press censorship for more than three years, although they went through the formality of issuing a previous notice explaining that censorship had to be exercised.

What is happening now is that, as we do not have to submit to democratic formalities, we are more sincere, and we do not consider it inappropriate to say frankly that we keep the press under vigilance for the welfare of the nation and to prevent the purchase of newspapers by Communist elements. Furthermore, the censorship is so benevolent that really it should not be called by the name of censorship.

We are moving toward improvement of the press; and in every case the restrictive measures serve the national interest, and the order and internal peace of the Spanish people.

With regard to foreign press correspondents, they write and telegraph from Spain all that they wish, without the least obstacle. In their telegrams the representatives of the foreign press in Spain inform the world of everything they wish, including many times that which is false.

WHAT NEWSPAPERS MAY DO—

Q *Can the editors of newspapers in Spain, in the future or now, discuss matters and express differences of opinion?*

A You have the newspapers arguing every day.

Q *Are there many differences of opinion about the monarchy?*

A As the result of the Civil War, we do not permit situations to reach the point where Spaniards may become embittered toward each other again. However, in the doctrinal order anything can be discussed.

Q *In the United States there are people who say that in Spain there is some anti-Semitism. Is that true?*

A I deny that absolutely. In our relations with Germany in the European war, we had difficult moments defending the Jews. We caused a sensation in Europe because, when the Jews were treated badly, Spain defended them. I shall tell you two anecdotes:

On one occasion an old Spanish retired general came to me and said: "I am married to a German lady whose mother, who is a Jewess, is in Germany, and I have received word that they have taken her to a concentration camp. I wish to ask you the favor of requesting that they release her."

I sent a telegram at once to the Ambassador in Berlin telling him to present himself to the Minister of Interior and advised him that we were interested in behalf of that lady and that we were disposed to bring her here.

When our Ambassador went to talk with the Minister, the Minister was scandalized by our interest in a Semitic woman. He made all kinds of trouble, beginning by saying that he did not know where the camp was. He was told which camp it was, and the Spanish Ambassador went to the concentration camp and found the Jewish woman in the midst of a group of weeping and emotion-torn Jews.

Another time, the wife of a Spanish Minister, Mr. Arrese, went to Germany to see her sick brother. And one day she entered a streetcar and sat down, but saw on the platform a German woman with a child in her arms. She got up and gave the woman her seat. The German woman sat down, and then the conductor came and asked the Spanish woman roughly why she had given her seat to a Jewish woman. He made her go back to the German woman, who was forced to show the star that she had as a distinctive mark on her shoulder. The Spanish woman said: "That makes no difference to me. She is a person, like me, and she is carrying a child. I am Spanish, and I give her my seat." And the Germans felt small in the face of such a determined attitude.

When the Germans entered Rumania they wanted to confiscate the properties of the Sephardic Jews and put them in prison. Then our Minister in Bucharest, who was Barzanallana, defended them, sheltered them, took them out of jail and moved them to Salonika, and the Spanish consul in the capital administered their properties. The same thing happened in other countries.

And in the zone of the Spanish protectorate of Morocco, in Tetuán and Larache, in Arcila and Xauen, the Jewish communities enjoy the same advantages as the Spaniards or the Arabs. In this we have never had any problems.

"NO DISCRIMINATION"—

Q *Are there Jewish businessmen in Spain?*

A Several, but here we do not discriminate against them.

Q *Are there Jewish churches?*

A Yes, there are several synagogues.

Q *I ask these questions because all these things are very interesting in the United States—*

A I repeat that there never has been anti-Semitism in Spain, but to the contrary. The Jews have been able to develop themselves perfectly in our nation. The cases I have related above prove it.

Q *Would Your Excellency like to say anything about any point that we have not touched upon in this interview?*

A Nothing. Thank you very much.

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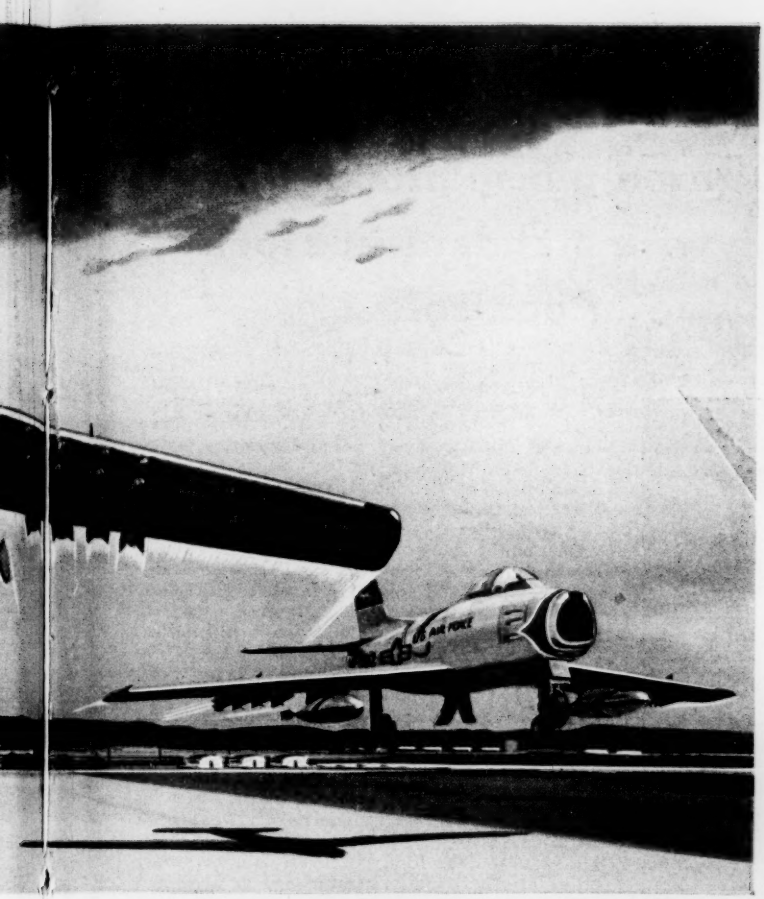

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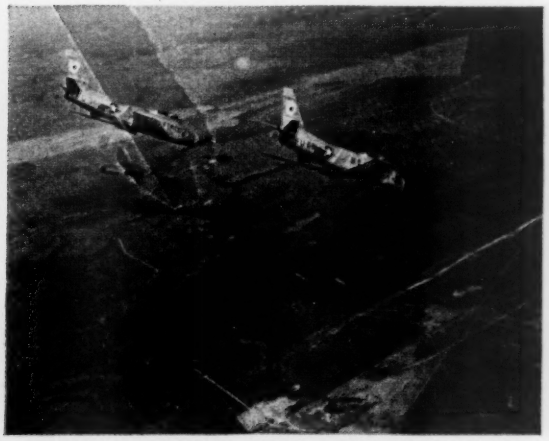

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Many motor users have proved *two* overload relays are inadequate protection for three-phase motors. In fact, widespread motor burnouts due to inadequate motor protection have caused amendment of Section 4327 of the National Electrical Code. The code now permits authorities to *require* three overload relays in three-phase motor control . . . and this provision is already being enforced in some areas. Many safety experts and power engineers say the time is not far off when three-phase motor control with less than three overload relays will be unacceptable.

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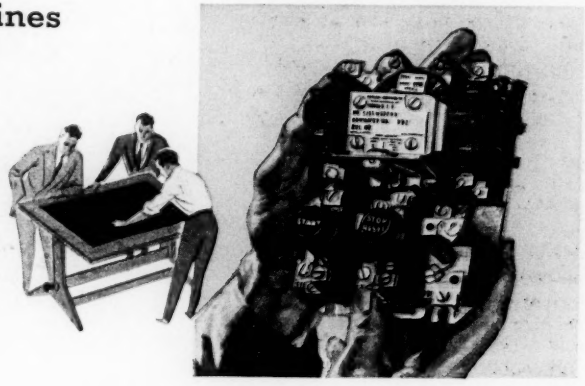

WHY THE FUSS OVER HAMBURGERS?

Congress Starts Checkup on Spending by the Military

This is the story behind the Navy's now-famous 60-year supply of hamburgers.

You get the explanation given to Congress by the Secretary of the Navy, an Assistant Secretary of Defense and a Navy admiral, told in their own words. Their story:

The U. S. Navy does indeed have on hand enough canned hamburger for 60 years of normal use, plus a gallon of catchup for each pound of hamburger and several years' supply of aging cheese.

But it's all part of a reserve which the Navy believes is handy in case of war. Spoilage, they add, is held down by "rotation."

Canned hamburger, aging cheese, and catchup now have engaged the attention of Congress, the armed forces and the President of the United States. In one day, the subject of hamburger brought before a congressional committee admirals, generals—23 officers in all—the Secretary of the Navy, two Assistant Secretaries of Defense and a trio of civilian aides.

This preoccupation with the state of military supplies is an indication of how times are changing. Not long ago, members of Congress were arguing about whether the country's defenses were strong enough. Now they are concerned with possible waste in supplies of food and clothing.

The whole thing started with a Hoover Commission report detailing the food and clothing supplies of the Army, Navy and Air Force. In that report it was stated that the Navy had on hand 886,020 pounds of canned hamburger—enough for 60 years at the present rate of consumption.

That touched off a wave of criticism and produced in Washington another of those heated congressional hearings. It also led, among other things, to inquiries about the state of unification in the armed services, and it brought from President Eisenhower the comment that the Navy's hamburgers were "emergency" rations that could be used up in five days "if you actually fed it out to all the messes."

Here, in extracts from the hearing held May 11, 1955, before the House Subcommittee on Executive and Legislative Reorganization, you get a story that reveals the basic change in the attitude toward military services:

Representative Brown [Clarence J. Brown (Rep.), of Ohio]: Can you, in your judgment, see why you would keep in mobilization reserve a 60-year supply of hamburgers, based on the present use? . . .

Mr. Pike [Thomas P. Pike, Assistant Secretary of Defense]: Of course, I think that your use of a 60-year figure is misleading again. If you will agree that there is a situation in canned hamburger where, due to it being a combat-type of ration that properly should be kept in mobilization reserve, so that in the event the Navy were called upon to go into action, in carrying out its missions, it was necessary to mount out a substantial force, and a type of ration of this sort, you wouldn't be dealing with a 60-year supply, Mr. Congressman. I think if you just take a round look at the total figure, as I recall, of 860,000 pounds, that roughly is only about one pound of hamburger per marine and Navy man, as of the present time.

° ° °

Representative Brown: . . . There has been a great deal of discussion about these foods and hamburgers which, as Chairman Dawson [William L. Dawson (Dem.), of Illinois, chairman of the Subcommittee] said, has been picked up by the newspapers. . . .

Now, what is your explanation of that situation? . . .

° ° °

Secretary Thomas [Charles S. Thomas, Secretary of the Navy]: I would like to say, first of all, the hamburgers have gotten out of perspective. . . .

In August, 1954, there were 886,020 pounds of hamburgers on hand, as the papers said. At the press conference, I was given a figure of 836,000—50,000 pounds less—which I gave, and I apologize for that. There were 886,000 pounds on hand, at that time. It was an honest error.

Representative Brown: That is 25 tons of hamburger.

Secretary Thomas: It is 50,000 pounds, anyhow. You talk about mobilization reserves, subsistence, foodstuffs and things like that. That was a special combat-reserve item.

Representative Brown: Do you mean you were going to have troops going into combat carrying hamburgers?

Secretary Thomas: Now, let me answer.

Representative Brown: All right. You go right ahead.

Secretary Thomas: Those hamburgers were especially tinned, they were made with less fat content, they were partially cooked, they took no refrigeration, they could be kept for a long time, they

NAVY CHOW
. . . costs 282 millions per year

[continued]

WHY THE FUSS OVER HAMBURGERS?

had a long-keeping quality, and they took no refrigeration. Those were held especially for a combat reserve to be mounted out primarily with the Marines in a matter of a few hours. This was not a regular mobilization item as such. It was a combat-held item. . . .

Representative Brown: Now I understand your explanation. You did not feed the boys the hamburgers when they weren't in combat, but if you got into war you were going to feed them hamburger.

Secretary Thomas: They were not issued to regular messes, but there was a special pack.

Representative Brown: You did not feed hamburger, then, to the boys during peacetime, but just during wartime?

Secretary Thomas: Not these canned hamburgers.

* * *

Representative Brown: These hamburgers, according to the information given the [Hoover Commission] task force,

–United Press

NAVY SECRETARY THOMAS
"The hamburgers have gotten out of perspective"

and other foods, too, keep only about two years, and yet you have food in there that—

Secretary Thomas: They keep a lot longer than that. That is your optimum.

* * *

I ate a can of it the other day, packed in 1951.

Representative Brown: Now, that is fine. Have you got a pretty strong stomach?

Secretary Thomas: Not particularly, no.

Representative Brown: I notice here that your Navy had, down at Norfolk . . . a 40-year supply, on the basis of issue, of pink salmon. The entire quantity of this product was packed in 1951. Yet everybody in the food industry says the expected life is from one to two years. . . . If I get you one of those cans of salmon, would you be willing to eat it, if it was put in there in 1951?

Secretary Thomas: Cans are tested regularly for that year, and if they test all right they are held.

* * *

Representative Brown: Do you contend you take it out "first in, first out"?

Secretary Thomas: Very definitely. You might go to some depot and find they did not take it first in and first out. You can go to one depot and get a lot of misinformation as to the over-all system, but it does go first in and first out.

* * *

The Navy, in 1954, served 282 million dollars' worth of food. In the continental United States, $916,000 was surveyed out, which is .324 per cent, or less than a third of 1 per cent. That is not a bad record, at all.

We served three meals a day, wonderful meals, to growing young men and women—a fine record—we served those meals for $1.07 a day. . . .

Representative Brown: . . . It is your contention that these foods that were mentioned . . . in the record of the task force were held as mobilization reserves?

Secretary Thomas: They were combat-held. It is a special combat item, with two exceptions—the canned apricots and the corned beef. Those are regular issue.

Representative Brown: You have a 21 months' supply of apricots. Now, why not corned beef?

Secretary Thomas: That is not a special pack. That is issued direct.

Representative Brown: Do you know how many packing plants, federally licensed packing plants, you have in America?

Secretary Thomas: I would not have the slightest idea.

* * *

Representative Brown: You might want to know this if you get in a war. There are 3,974 . . . .

How long do you think it would take 3,974 licensed packing plants to make you that hamburger, if you needed it? Do you think they would get the hamburger there as fast as the boys could eat it?

Secretary Thomas: No, not that special type. They could not get it out to the Marines in the length of time needed.

The original stock level of that was 890,000 pounds. In April, 1954, it was reduced to 534,000 pounds, as their special combat-reserve level. Now, they had an overage and they did not get it out as fast as they should. . . .

Representative Brown: Speaking again of hamburger, that means, of course, to furnish a new supply of that hamburger, which is getting pretty old, you will have to get new, because I know you are not going to feed it to the boys, and you do, too.

Secretary Thomas: That is not so, Mr. Brown.

Representative Brown: Do you mean you are going to serve that?

Secretary Thomas: Yes. I will guarantee that.

The Secretary said later that the task-force report was made nearly a year ago and that he did not think any 1950 hamburger would be found in Navy stocks now. From the transcript:

Representative Brown: Where did it go?

Secretary Thomas: It was fed out.

Representative Brown: To combat units?

Secretary Thomas: No, you use it in your regular mess.

Mr. Brown questioned whether the Navy actually used up 97,643 pounds of 1950 canned hamburger:

Representative Brown: You do not serve hamburger at all your meals.

Secretary Thomas: You would not have to. You could serve it in one and three quarters meals and work out the . . . supply.

° ° °

Representative Brown: You only had a three years' supply of cheese, which keeps better than hamburger. "The older the cheese the better" I think is the saying, is it not? So you did not have much of a mobilization of cheese, did you?

° ° °

Secretary Thomas: That is all set on certain levels. Whether those levels are right, I would not argue that with you.

° ° °

Representative Brown: Who ordered that big supply of hamburger?

Secretary Thomas: It was ordered on the basis of a military requirement.

Representative Brown: Who ordered it?

Secretary Thomas: The Supply Corps, on the basis of a requirement.

Representative Brown: . . . Who fixed the requirement? Who told your Supply Corps that they needed that many hamburgers?

Secretary Thomas: The planners in the Chief of Naval Operations' office. I am not arguing with you—

Next witness before the Subcommittee was Rear Adm. R. J. Arnold, Chief of the Navy's Bureau of Supplies and Accounts. He testified that the Navy, in 1953, "encouraged" commanding officers to draw on the aging food in the combat reserve, but that it wasn't done. Then, in February, 1955, orders were sent out to "rotate" these supplies by using up old food before it went bad. From the transcript:

Representative Dawson: Admiral, before you leave that, may I ask you a question? On page 35 of the task-force report it says, "As a consequence, 13 per cent of the Navy inventory, dollarwise, consisted of food that was packed as far back as 1951, or prior to that time. . . .

What is your explanation for that? . . .

Admiral Arnold: . . . In 1951 we bought heavily, based on our Korean expected issue. Those issues did not materialize. . . .

Representative McCormack [John W. McCormack (Dem.), of Massachusetts]: . . . When you ask for bids . . . I understand the boxes must show the date of the pack, is that correct?"

Admiral Arnold: Yes.

° ° °

Representative McCormack: So it is very easy for the Navy or the other branches of service to determine when any food has been bought and packed. . . .

Admiral Arnold: Yes. As Mr. Thomas has said, we should not have had that many old stocks.

Representative Dawson: . . . Now, how do you explain it?

NAVY HAMBURGER—886,020 POUNDS OF IT

Enough for 60 years?

Hoover Commission found that, in one six-month period, the Navy used 1,233 pounds per month of "combat type" canned hamburger.

At that rate, the Commission reported, the Navy had enough hamburger on hand to last 60 years.

Or enough for 5 days?

Navy says this hamburger was stockpiled for use by Marines in case of war emergency.

Stockpile is less than 1 pound per man in Navy and Marines. President Eisenhower says it could be eaten up in five days if used in all messes.

Representative Brown: Do you think that fellow is a pretty sound officer in his judgment? Maybe he liked hamburger. I understand you had a million dollars' worth of catchup handy, too. . . . Do you think it is good judgment to have that large a supply of hamburgers and of other things?

Secretary Thomas: I really do, if they are the right requirements.

Representative Brown: . . . We had 886,020 pounds of hamburger and we had 812,179 gallons of catchup to use on it. That is about a gallon for every pound of hamburger. Now, that is a lot of catchup, is it not?

Secretary Thomas: Yes.

° ° °

I would like to say, Mr. Brown, you still have to look at the average. You cannot have a system as large as this and not have—

Representative Brown: What I am pointing out is: If you find that, what else will you find?

. . . We have more physical things in the hands of the military today in this country than we have in the hands of free enterprise, almost.

The greatest inventory—what is it, 155 billion dollars' worth of stuff that the military owns? Someplace, somehow, somebody is responsible for it. And all we are trying to do is get a little common sense into it, Mr. Thomas.

Admiral Arnold: I think the difficulty is that we were not getting date of pack. . . .

Representative Harden [Mrs. Cecil M. Harden (Rep.), of Indiana]: . . . On page 40 of the report under "cheese" here, we have some comments.

> "It is difficult to understand why additional cheese was bought in 1953 when extensive overstocks existed of 1952 pack. Norfolk alone could supply the entire Navy for approximately 20 months, while the overstocks at other stations are also large. Some stations do not have any cheese, which further indicates a very unbalanced stock position."

Now, I see those figures were for 1954. What comment have you on that, if any?

Admiral Arnold: Do you mean on the buy made in subsequent years?

Representative Harden: Yes, and the status of the supply, at this time.

Admiral Arnold: . . . I think what happened was that our requirements increased. That is for our special program reserve. . . .

° ° °

Representative Curtis [Thomas B. Curtis (Rep.), of Missouri]: Was there an over-all decrease or increase of your

(Continued on page 80)

These noble Scotches find favour with gentlefolk

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86.8 proof

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86.8 proof

[continued] **THE FUSS OVER HAMBURGERS**

reserve, or your combat-mobilization reserve?

° ° °

Secretary Thomas: I say, Mr. Curtis, we are looking at all our basic stock levels now, with the idea of decreasing them, which we are doing. . . .

Admiral Arnold explained the Navy method of deciding how much to hold in its combat reserves:

Admiral Arnold: Now, how do we arrive at the quantities we need for each one of these items? We will have given to us by a planning authority the number of days' rations that we have to have ready on a certain day's notice. This table contains a factor, and it will tell you for each item in here—that is, hamburgers, and beef with gravy, how many pounds—given a certain number of days' rations—you need for each one of the items in here. . . .

Now, what causes the changes in this is that military planning changes. Military planning on the number of rations that have to be ready to go out and in some cases . . . . small changes made in the components of the ration.

Now, to go to canned cheese, we had in August, 1954, this much [referring to a chart].

Representative Brown: Is it your contention that that is only combat ration—275,335 pounds?

Admiral Arnold: It is an item, Mr. Brown, which would normally be used only for the purpose that I have outlined to you.

° ° °

Representative Brown: How long will it actually keep, Admiral? . . .

Admiral Arnold: My statement is that it would keep very safely four years.

Representative Brown: Four years?

Admiral Arnold: Yes, sir. Canned cheese.

Representative Brown: And you would agree that any cheese dated back to 1948 would not be too good?

Admiral Arnold: There is a chance that it might be bad.

Representative Brown: . . . What have you done with that 1948 cheese?

° ° °

Admiral Arnold: If a ship came in and asked for a certain amount of fresh cheese, as they frequently do, we would say, "You have to take a certain percentage of what you ask for in this canned cheese."

Representative Brown: You would give them bad cheese, even though they wanted fresh cheese?

Admiral Arnold: Not bad cheese.

Admiral Arnold told the Subcommittee the Navy is trying to get its combat reserve of canned cheese down to 135,550 pounds. The testimony brought out that the combat reserves are based on the same ration being used in all the armed forces.

The Subcommittee turned later to the question of "unification" of the armed forces. The hearing brought out that the Army and Navy have two different methods of deciding how much food is needed. The Army uses a price index and fixes a cost per man. The Navy figures out quantities needed, so many ounces per man.

Representative McCormack: Now, getting away from hamburgers for the moment, take on the general purchase of common supplies and items, is the purchase for the three services integrated?

Admiral Arnold: There are joint operations in these several areas; petroleum—and we buy all our fuels through one joint purchasing agency here in Washington. . . .

Representative McCormack: How about the distribution? Is there an integrated distribution system?

Admiral Arnold: It is integrated to a large extent overseas by areas, but not in this country. . . .

Representative McCormack: You have some of our items integrated and some not.

Admiral Arnold: And the purchase is integrated also in medical and dental, in lumber. . . .

° ° °

Representative McCormack: Why can't you have an integrated system for all items?

Admiral Arnold: It has been our experience that where you have a wide range of items common to the three services as you have here, you can have an integrated purchasing system without too much trouble. . . . Now, when you get into highly technical items like airplane parts and electronics parts, the problem of the relationship between the man who is doing the purchasing has to be very close. . . .

Representative McCormack: I was talking about common items.

° ° °

. . . Don't you think that as widely and as broad an integrated system as possible will be to the best interests of the taxpayers as well as the three branches?

Admiral Arnold: I think you have to examine each commodity on its own merits . . . We have had some experiences where it worked out well and we had

some others where in my opinion, we would have been better off without it.

° ° °

Representative McCormack: I understand the Army furnishes food not only for itself but for the Air Force. Is that correct?

Admiral Arnold: Yes.

Representative McCormack: Why not for all three services?

Admiral Arnold: If we were to take a certain category of food and say that they should distribute it for the armed services, then the question arises on clothing—it ranges through the whole range of common items that you just mentioned.

° ° °

Representative Jonas [Charles R. Jonas (Rep.), of North Carolina]: Is there any substantial effort being made by the Defense Department now, currently, to expand wherever possible this unification system, or put it into effect?

Admiral Arnold: Yes, sir.

Representative Jonas: Do you feel, sir, that you are moving as rapidly in that direction as you can?

Admiral Arnold: I feel that we are moving about as rapidly as we can without causing a great deal of confusion and difficulty. . . .

° ° °

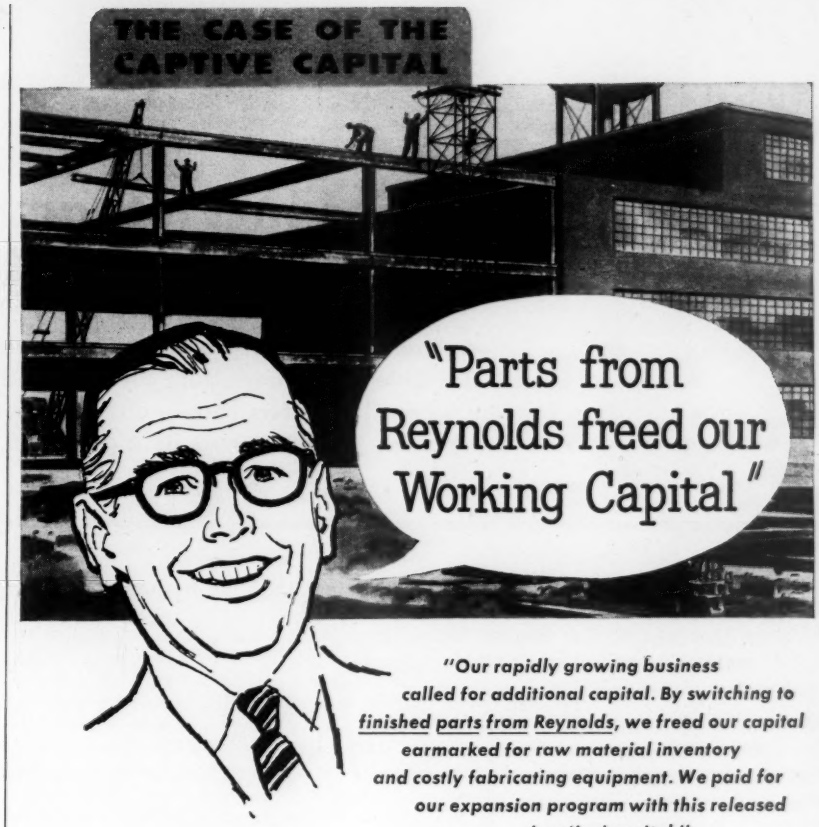
Once a week, one of my people goes over and sits down with Mr. Pike's people, the Army, Navy and Air Force, and we talk over our warehouses and materials-handling problems. We develop such things as a common handbook for materials handling and common standards under which we will replace equipment. I think we will eventually have materials-handling equipment in one set of specifications.

The Subcommittee turned back again to hamburgers and apricots, but before the day's hearing closed, Chairman Dawson summed up in one question:

Representative Dawson: Admiral, do you understand that our entire inquiry and our questions are designed to get unification as intended by the Congress, in our defense establishments, and the Hoover Commission only highlighted some points that gave us an opportunity to look into the matter and to see the condition of things, and to question you about them in the cases where they found fault?

As a result of this investigation, it is shown that the figures set up in the task Commission's report were substantially correct, as furnished by the Navy under the information furnished by the task forces—is that right? For instance, on this entire question of hamburgers, you had that amount on hand?

Admiral Arnold: Yes, sir.



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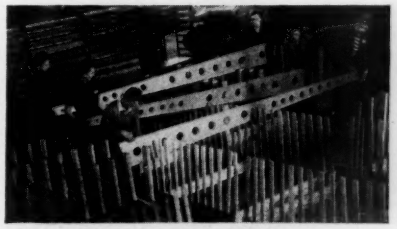

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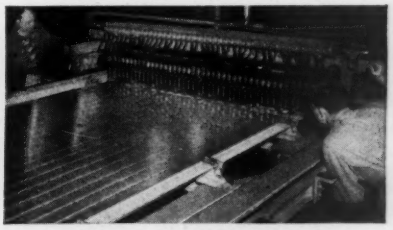

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THE MAN ..Bao Dai

THE NEWS ..Absentee Ruler

–Black Star

Chaos in Vietnam— Comfort on the Riviera

A French-American compromise leaves Bao Dai as Chief of State of South Vietnam and keeps him where he prefers to be—on the Riviera. He dislikes the job but wants its big income.

–United Press

CANNES, France

WITH RELUCTANT AGREEMENT by the U. S., the very comfortable life of Bao Dai, former Emperor of Vietnam, is to continue pretty much unchanged.

Bao Dai is the French-supported Chief of State of South Vietnam, a country in chaos half a world away from this Riviera resort. He has been in serious conflict with South Vietnam's Premier, Ngo Dinh Diem, who has the backing of the U. S.

The U. S., investing 400 million dollars a year in South Vietnam, feels it should have a voice in what happens there. And many Americans do not see the absentee monarch as the man who can save his nation from Communism.

Now, however, by a French-American compromise, both Bao Dai and Premier Diem are to retain their posts, but Bao Dai is to stay where he prefers to be—on the Riviera.

Against this background, a visit with Bao Dai and his entourage here provides an insight into the struggle now going on in faraway South Asia, a struggle in which the U. S. has a definite stake.

"Modest" chateau. In Cannes, Bao Dai directs his political forces from the 12-room, two-story Chateau de Thorenc, which he bought in 1949. It is valued at $140,000, but is a modest home by comparison with nearby residences such as that of the Aga Khan.

The chateau, pink stucco outside, pink marble floors within, is set in seven acres of parks and formal gardens. It is surrounded by high ivy-covered walls and giant hedges. There is a small swimming pool and a striking view of the sea far below. The interior is richly furnished and adorned by Indo-Chinese *objets d'art*, Greek statues and figurines of ivory, jade, Venetian glass.

The chateau also is the residence of ex-Empress Nam Phuong, and their five children, who have been in France continuously since 1947. The ex-Empress is a devout Catholic. Under a marriage agreement, the three daughters are being educated in a convent school. One son is in a Normandy boarding school and the other is enrolled at St. Cyr, the French military academy.

By Vietnamese law, Bao Dai is entitled to an unlimited number of wives. His grandfather had 125 wives and more than 300 children. Bao Dai renounced polygamy when he married Nam Phuong in

(Continued on page 84)

–Morris from Wide World

"SITTING PRETTY"

–Fischetti, NEA Service, Inc.

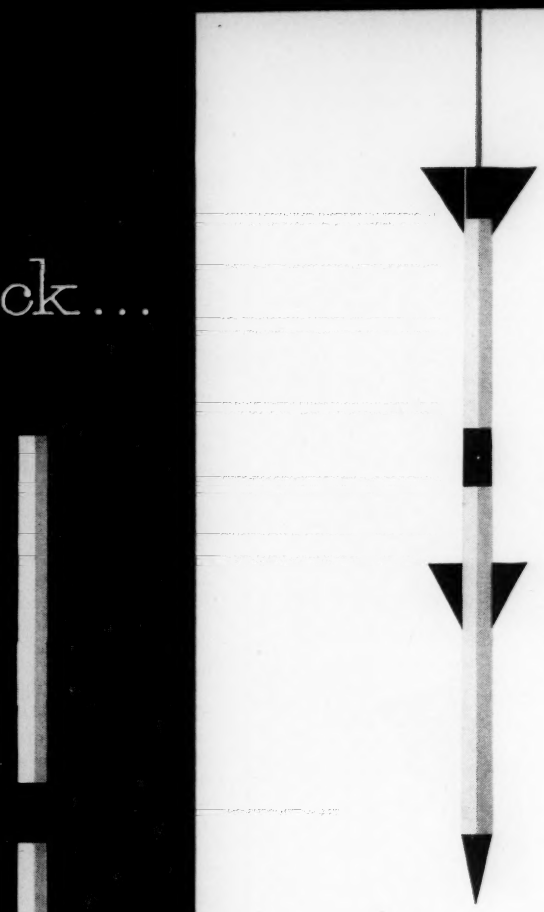
"WISH YOU WERE HERE"

–Herblock in the Washington Post

"THESE ARE TRYING DAYS"

The man in the pink-stucco chateau is an enigma even to those who know him best

Attack...



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Drinking, wild parties not Bao Dai's idea of fun . . .

1934. Twelve years later, however, he changed his mind while in exile in Hong Kong, married a Chinese dancer who bore him a daughter. Subsequently, he took a Vietnamese wife, Mong Diep, who bore him a daughter, now 6, and a son, now 18 months old.

Mong Diep divides her time between a house in the Paris suburbs and an apartment in Cannes. Vietnamese notables who come to see Bao Dai secretly in Cannes sometimes meet him at Mong Diep's apartment.

Playboy myth. Although often painted as a libertine, Bao Dai actually never has been a debauchee, never given to wild parties and heavy drinking. He dislikes strong liquor, drinks diluted wine only occasionally.

Never a night club habitué, his principal evening diversion in bygone years was roulette. He often lost or won $10,000 to $15,000 in a night, playing with $300 chips. More recently, however, gambling seems to have lost its fascination. He visits the Cannes Casino less frequently, plays for smaller stakes.

Sometimes, his Casino visits form a cover for meeting a Vietnamese official whom, for some reason known only to Bao Dai, he prefers not to have call at his residence. The two men stroll about the Casino grounds talking and then make a few bets before leaving.

This odd custom is one of many that make Bao Dai an enigma to those who know him best. He seems to have an aversion to conducting state business face to face across a desk. He invited one high Vietnamese official to accompany him to a French barbershop. In adjoining chairs, high business was discussed in Vietnamese, which the barbers did not understand.

Another official was invited out to the garage, where political issues were dissected while the two, with sleeves rolled up, polished a car.

In Cannes, Bao Dai's chief relaxations have been trapshooting and driving fast cars. He owns nine automobiles, including four sport cars, and takes one of them out nearly every day for a spin.

As a Buddhist, Bao Dai never shoots birds and refuses to hunt deer and small game. His only hunting is for big game, such as wild buffalo, elephants and tigers, which abound on the high plateau of Vietnam. There, Bao Dai has an almost inaccessible palace to which he withdraws for long periods of time while in Vietnam.

Revealing traits. Those who know Bao Dai well believe his avoidance of office meetings, his residence in remote

. . . Friends say ex-Emperor hates to make a decision

places and his solitary car driving reveal much about the man. They are convinced that he tries continuously to get away from the burdens of office, that he dislikes the duties of Chief of State, has no ambition to wield power.

The ex-Emperor's best friends accuse him of lacking backbone. He hates to make decisions, rarely replies to a proposal in less than two weeks. He will summon advisers from Paris to Cannes and keep them waiting for days before opening discussions on state problems.

Nevertheless, Bao Dai has clung tenaciously to power for 25 of the last 29 years. While he dislikes the work and responsibilities involved, he wants the income and perquisites of the job. He has become an addict to comfort, easy living and the wealth with which he is able to gratify any whim.

During his period of exile in Hong Kong, Bao Dai found himself without funds and running into debt. He is said to have resolved never again to be caught without money. When he returned to Indo-China in 1949, to resume his throne, he set about acquiring property and building a fortune outside the country. He now is believed to be the owner of a shipping line and to have extensive holdings in Morocco and the Belgian Congo.

When, last year, Bao Dai handed over the Saigon police to the gangsters of the Binh Xuyen, it is believed he was paid upward of a million dollars. Until Premier Diem closed up the Binh Xuyen gambling and prostitution concessions in Saigon, Bao Dai received a cut estimated at $140,000 to $250,000 monthly.

During the period of piastre inflation at Saigon, from 1949 to 1954, Bao Dai and many others were up to their ears in currency transactions. Huge sums were made by trading French francs for inflated piastres on the black market. The piastres then were reconverted to francs at the official rate, through trade deals or phony profit remittances to France.

An astute operator could double his money every week through this device. Bao Dai did not even have to circumvent the law very much to harvest this windfall. The French Government was trying to keep him happy and thought it cheap insurance to let him take francs out of Vietnam at the official rate in batches worth $150,000.

Just how big a personal fortune Bao Dai built up through these and other means is a secret he shares with a few trusted financial advisers and Swiss

(Continued on page 86)

IN THE RICE COUNTRY . . . Continental-powered Fairbanks-Morse five-stage pump with 110-foot setting and 12-inch discharge, flooding rice near Eunice, La.

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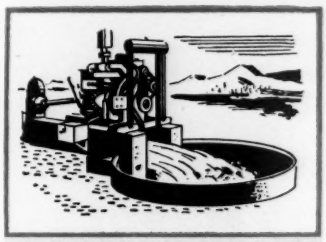

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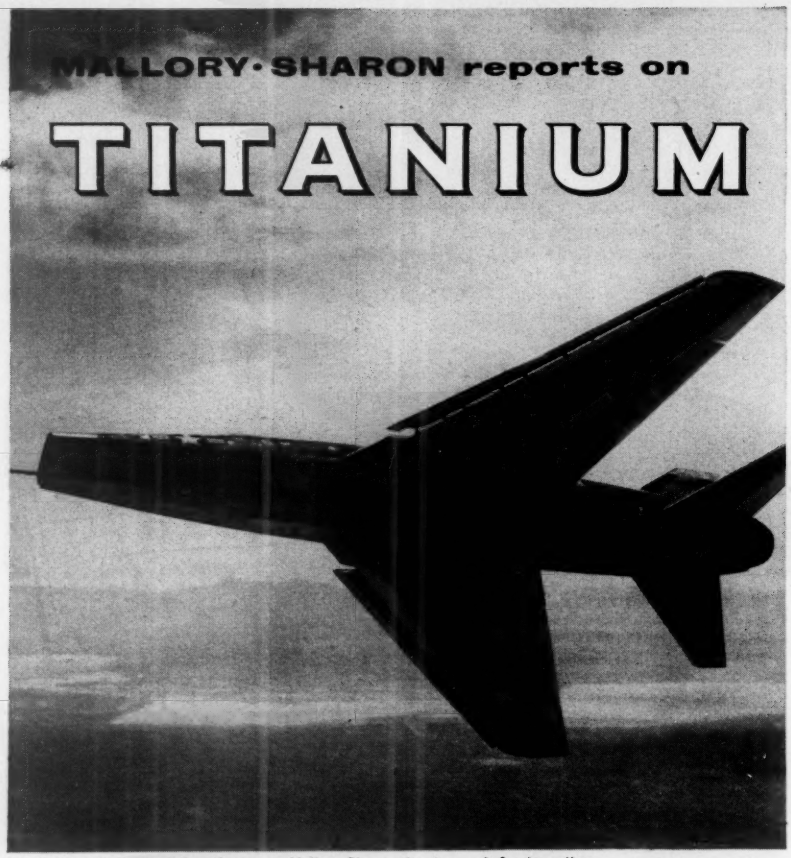

North American Super Sabre, F-100, uses Mallory-Sharon titanium and titanium alloys

Diet of titanium
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SAVING weight is a goal almost fanatically pursued by aircraft designers. The reason is simple. By reducing the total weight of an aircraft by one pound, an additional *five pounds* of airframe structure can be eliminated. This saving can be translated into extra speed, range, or firepower.

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Mallory-Sharon is a leading producer of titanium . . . supplying virtually every major aircraft and jet engine manufacturer with sheet, strip, bars, forgings, and other mill products. Use our experience in your applications of lightweight, corrosion-resistant titanium.

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MALLORY Ti SHARON

. . . Bao Dai's fortune is a well-kept secret

bankers. A close relative, who should know, says the ex-Emperor's fortune now runs to tens of millions of dollars.

Bao Dai's official income is hard to pin down, too. Sums winding up in his hands are concealed under 25 different chapter headings in the South Vietnamese budget. A French parliamentary report in 1950 gave the budget of the imperial household as $146,000 monthly, and this is said to have been increased, perhaps doubled, since then.

It is considered probable, in any event, that Bao Dai spends all his official income and more to maintain the imperial household, with its large staff of military and civil advisers and also personal ambassadors and envoys to be paid, together with scores of cooks, valets, gardeners and the imperial guard of 5,000 troops to be fed, clothed and paid.

By any standard, Bao Dai is well fixed. But all his wealth won't buy him a good night's sleep. He has suffered for years from insomnia. He closes his eyes and relaxes, but seldom gets more than three to four hours' sleep a night. Some nights he reads official reports or detective stories; others, he goes to the garage and tinkers with his automobiles.

Long-reigning family. Bao Dai is intelligent, gracious, charming though reserved, a polished gentleman in manner. He comes of a family that ruled Indo-China for centuries. At the age of 12 he was crowned Emperor of Annam, under a regency, and sent on to France for his education.

Always friendly with the French, Bao Dai took up his active rule in 1932. With the coming of World War II and the Japanese, Bao Dai found he could get along with them, too. For a time, he also got along with Ho Chi Minh, the Communist leader. But in 1946 he was forced to abdicate, went into his exile at Hong Kong and Cannes, to be brought back by the French in 1949.

In 1950, 1952 and 1953, Bao Dai spent two to four months each year at Cannes. This time he has been at Cannes since April of last year. Then he came to Europe at the time of the Geneva Conference that ceded Northern Vietnam to the Communists. He stayed on rather than go home and face the chaotic situation that followed partition.

Meanwhile the situation at home is deteriorating. Most observers think it is only a matter of time until the Communists take over South Vietnam. That event would leave Bao Dai still living in luxury on the Riviera, with ample wealth to attend to his expensive needs. He has seen to that.

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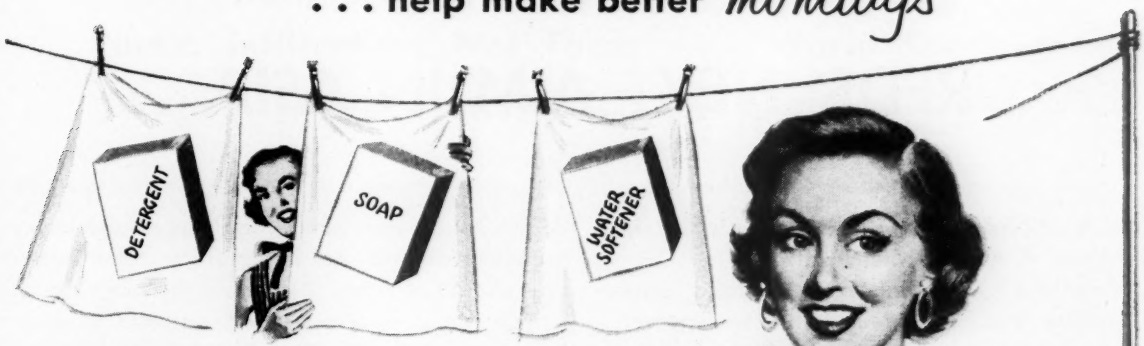

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Interview with THAILAND'S PREMIER
Field Marshal P. Pibulsonggram

REDS' NEXT AIM IN ASIA

If the Chinese Reds push deeper into Asia, Thailand is right in their path.

From the Prime Minister of Thailand comes this account of how it feels to live with powerful Red forces near your border—and Red terrorists boring from within.

Where will the Communists strike next? Can they be stopped short of World War III? Is the U.S. right or wrong in Asia?

The Thais—free and strongly pro-American—have watched the Communists take over vast chunks of Asia. They know the technique.

You get a close-up report on Asia in this interview with Thailand's Prime Minister, Field Marshal P. Pibulsonggram. The interview took place in the conference rooms of *U.S. News & World Report* during the Prime Minister's recent visit to Washington.

Q How many Communists do you have in Thailand, Mr. Prime Minister?

A In my country, the Thai people do not like Communists at all. My country has always been an independent country, and we have a tradition. We worshiped the king and religion—Buddha—and our culture. And, therefore, on these three main things in my country rests the theory against Communism.

Q Is Thailand different from the other countries in Southeast Asia in that respect?

A My country has always been an independent country. In my country we can go anywhere, any time.

Q How much headway has the Communist movement made in your country?

A For the Thai people, none at all.

Q What about the Chinese there?

A The Chinese in my country are about 3 million. They earn more money and they live more happily and are cut off from the mainland of China. They live there very quietly and happily. I just received a report that there are about 1,000 people who are pro-Communist, but it is not very acute.

Q And they are mainly Chinese?

A Yes.

Q Is the "Free Thai" movement a Communist movement?

A We feel in my country that they are Communists because none of them are of Thailand. They are from the mainland of China, they are friends of Communists, and, therefore, they are Communists.

Q You say the movement was created in mainland China?

A Yes, and in North Vietnam, in Burma, in Laos, in all these areas around Thailand.

Q What about the Free Thai penetration into the northeastern provinces of your country—is there any activity of that underground organization in the North?

A Yes. We consider the "Autonomous Thai State" as the base from which Red China will attack Southeast Asia, especially directly against my country. In South China, in Yunnan, the Free Thais stay. There they wait for the next step, a new attack against my country. But within my country they are not successful, because we watch them very, very carefully and arrest them. You know, for a long time now in my country the Communist has been outlawed. We have a law against Communists. If someone joined the Communist Party, it would be a crime punishable even by death.

Q How long has the law been in force?

A About six years—a law passed by the Parliament.

Q How do you put it into application? Do you use the police?

A Yes, just like other crimes. Last year we arrested several people, about 10 or 20, because all the Communists have some sort of document.

Q Have any death sentences been given for being a Communist?

A Not as yet. The penalty is death, but up to now we have not had to apply it.

Q Do you think the policy of Communist China is changing now? Do you think they are willing to coexist, as they say, with Thailand and the rest of Southeast Asia?

A I do not think it is changing. Communism wants only an iron rule. It has the dynamics of dictatorial rule and will continue to move on until—as in the Roman period, to England, France, everywhere, even to Cleopatra in Egypt—one day this dynamic rule will stop at the place it started. I feel that.

Q You mean it will keep on moving until it crashes?

A Yes. Therefore they will try to move and move, and assure the people that they've got something for them to win their country. So, we don't trust what they say. They will simply ruin these countries with their system, under their regime.

Q How are we going to stop them from moving so they will crash eventually?

A I think all will stop one day. I think they are weaker now and are trying to use the power of negotiations rather than force.

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Tactic: Infiltration, Not Force . . . World Communism "Weaker Now," Turns to Talk . . . Eventual Crash Seen

Q Do you think they really want a cease-fire off Formosa?

A I don't know exactly, but I think, theoretically, that they will stop when they change into democratic ways or we use our armed forces to defend ourselves, to push them back.

Q Do you see any signs of their being stopped now by outside resistance?

A Yes, I think they have slowed down in the last two or three years. You can see that inside of Russia itself. They have changed their Government, changed their leaders. When the Communists are changing, that means they are unstable. When Stalin died, then Malenkov came in, then Bulganin. I think in the near future we may see Bulganin step out. They may keep changing until they change from the Communist regime and one day may have elections.

Q But in the past few years Communism has come much closer to your country. They have taken over areas very close to you—

A Yes, and we asked the United Nations to send in those areas an observation team, under the Charter, but we failed at that time. The Security Council voted for it 9 to 1, but the Soviet vetoed it and killed it.

Q Do you maintain larger forces of troops in the northeast part of your country?

A Yes. We have about 50,000 national police. We give military equipment to these police for fighting, to guard our northern frontier, as well as to preserve peace.

Q So that you have these police troops stationed along the border?

A Along the borders of Burma and Laos and Cambodia.

Q Are they well armed?

A Yes.

Q Tanks, and things like that?

A There are armored cars.

Q Tanks would not be useful in the mountains, would they?

A No, but there are places where we could use them. We do receive things from your country that we use for our police and our Army.

Q What do you think is going to happen in South Vietnam?

A Whether Diem will get out and come back again, I don't know. It is taking a very long time to come to an agreement with France—

Q You think it could have been done more quickly?

A Yes. Now everywhere there is such disturbance. I see there was more fighting in Cholon, the Chinatown of Saigon. There is burning everywhere, very serious. And in one year, as a result of the Geneva Conference, there is to be an election. I don't know how they will run a free election. They do not have records or organization for a proper election. As I told a friend, we will have to discuss these questions in the SEATO [Southeast Asia Treaty Organization].

Q Your country supported Cambodia recently in its difficulties, did it not?

A Yes. We want to extend our support to the governments in Laos and Cambodia and help them to resist the Communists, but it is very difficult to do so in South Vietnam because they are in the hands of the French authorities, and we don't want to interfere with the French authorities. We have not tried to interfere.

Q How about Laos—is the internal situation there as strong as it is in Cambodia?

A About the same.

(Continued on next page)

—USN&WR Photo

PRIME MINISTER PIBULSONGGRAM IS INTERVIEWED IN THE CONFERENCE ROOM OF *U. S. NEWS & WORLD REPORT*

. . . Nehru neutral? "In the world now there can be no neutral"

Q There are a good many Communists inside Laos, aren't there?

A Yes. Inside Laos there is "Free Laos." The Communists are in every country—

Q If the Communists were to take over Cambodia and Laos, would they try to move into Thailand next?

A Yes. As I have already said, Free Thai is part of their move on Southeast Asia. That is why your Secretary of State conceived the idea of collective security in our area, and that covers the area of Laos and Cambodia, too.

Q Will your country fight if the Communists attack?

A Yes. We fought in Korea. Naturally we will fight here

THAILAND AND ITS NEIGHBORS
It "has always been an independent country"

if there is a United Nations action or SEATO decides by a resolution.

Q You have taken a part in SEATO?

A Yes.

Q Did you have troops in Korea?

A Yes. I went to see them north of the 38th parallel, about one company. A large number have returned for service at home.

Q You had a fighting battalion during the war, didn't you?

A Yes.

Q Didn't you have an air squadron there?

A Yes, and two warships.

Q During the fighting you had an Air Force and an Army in Korea—

A Yes, about 2,000 men.

Q And you still have troops there?

A Yes, about one company.

Q Did you play any part in the economic relief of Korea after the armistice?

A Yes, we contributed 40,000 tons of rice, valued at nearly 5 million dollars, and in Thai money about 100 million baht, before the armistice.

Q How big is your Army?

A Roughly, about 100,000, and with the equipment we have received from your country, we already have about nine regimental combat teams trained for combat. Now we are increasing the Air Corps.

60 YEARS OF DRAFT—

Q Is that a volunteer Army? Do you have a draft?

A We have had conscription a long time. We have had it for the last 60 years. You are in active service for two years, and after that you are in the Reserves for seven years and a second Reserve 10 years, altogether 17 years in the Reserves.

Q Is this the largest the Army has ever been?

A It is bigger now than ever.

Q If Thailand is attacked, do you expect that other Southeast Asian countries will help out in the defense of Thailand, according to the SEATO pact?

A Yes, I believe they will. We expect that all the members of SEATO will help one another.

Q And that would include American assistance, too?

A Yes.

Q Are American officers helping to train your Army?

A Yes. We have about 200 American officers.

Q Do you have any of your people being trained over here in the United States as well?

A Yes. We have people come here on what you might call a "fellowship," at Thai Government expense, or some through the FOA [Foreign Operations Administration] of your Government. It is mostly from our Government.

Q Are any of your military people here to be trained?

A Oh, yes, including my son. I think we have 100 officers here now.

Q Have you diplomatic relationship with Communist China?

A No. We recognize the mainland of China, as well as Formosa, as under the Chiang Kai-shek Government.

Q Have you ever met Chou En-lai [Premier of Communist China]?

A No, I have never met him.

Q Have you had talks with Nehru [Prime Minister of India] at all?

A I met him once, last year, before the Bandung Conference. He spent a night in my country. He was my guest, but he did not talk politics at all, except that I told him I should like to return a visit with him in India in about June, and he told me he would be in Moscow at that time.

Q Whose side do you think Nehru is on?

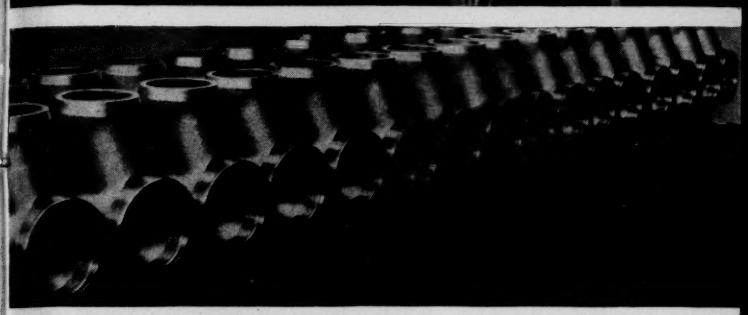
A He now claims to be neutral.

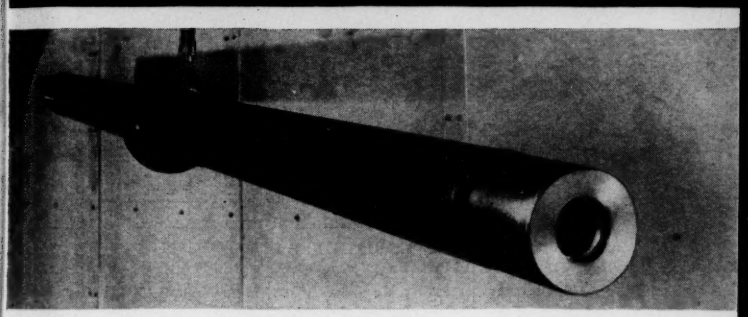
Q He is neutral?

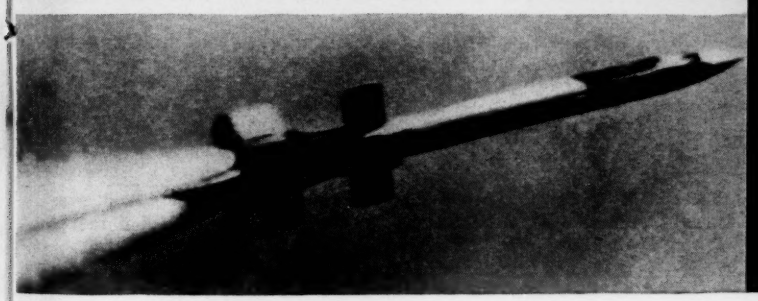
A Well, in my country we feel that in the world now there can be no neutral.

Q Can you explain why the Communists have made such progress among the peoples of Asia, why they have gotten such a hold on Asia?

(Continued on page 92)







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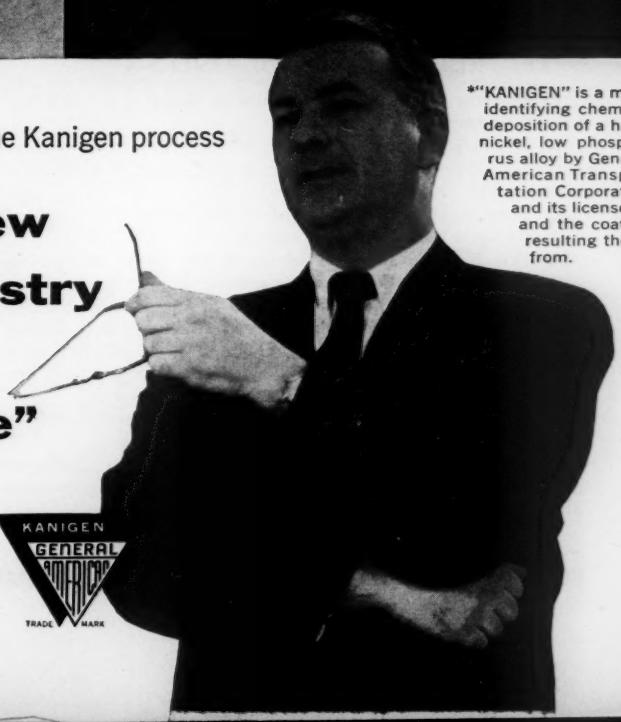

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. . . "We will have third World War. When, we don't know"

A The people of Asia, in my opinion, want freedom and want to become completely independent. The Communists use this nationalism, as you have seen in the case of Indo-China when the French stayed there. The Communists gained many people that way.

Q Do you think these newly independent countries can stand against Communism? Do you feel they are going to stand against Communism in, say, Indonesia, Burma?

A I think they can stand against Communism if they receive assistance from friendly countries in the field of economics and administration.

Q But haven't some of them refused it?

A We have to try to create understanding. They are afraid, you see, that they will become the economic colonies of those who help. But in my country we want every country to be strong, and we try to win them over.

Q Do you think the United States policy in Southeast Asia is correct or incorrect, generally speaking?

A Correct to my country. We appreciate it very much. We work together—like the Siamese twins. But with other countries, I don't know. They have other problems. You see, in my country we have compulsory education, for instance. We have only 20 per cent illiteracy in Thailand. I don't know, but I am told in other countries there are many, many people who don't know how to read and write and are very, very poor.

Q Do you think war is inevitable? Do you think the problems in Southeast Asia can be settled by measures short of war?

A I will answer with the military theory that war and peace are always in the world. In the near future, or later, there will be war. We had the first World War, and we had the second World War. We will have the third World War. When, we don't know. That depends upon the negotiations between the free world, especially the United States and England and France, the three great powers, to join together. And my country—we are small—we will follow you and will be very happy to stand shoulder to shoulder with the free world against the Communists. And when the Communists see that we are united, perhaps they will change their ideas about aggression against the democracies.

WHY REDS SEEK ISLANDS—

Q Do you think Communist China wants war with the United States?

A I think not. But they must have something to show their people as the dynamics of their regime—first, the offshore islands, next Thailand, and so on.

Q They must always be wanting something?

A To show their dynamic position.

Q You think it was better for the United States to threaten the use of force if Formosa was attacked?

A It would have been a violation of the United Nations Charter if Formosa should have been attacked, as in Korea, and therefore we must be united about it. If not, we fight alone. But it is better that we fight together with all the members of the United Nations.

Q You think Korea was a good example of solidarity?

A Yes.

Q How can we apply the same principle in Southeast Asia when many of the nations there are not willing to come along?

A We will use SEATO.

Q What do you feel about the situation in Burma? Is that sufficiently confused to be a danger to Thailand?

A Burma we feel is no danger to my country. But once there was fighting near our border, and we had to do something to keep order on the frontier. So, we sent the police to the front and we closed our frontier.

DIFFICULTIES IN MALAYA—

Q Why is it that in Malaya the British have been fighting the Communists there for seven or eight years and they still can't seem to get rid of them?

A Because in that area there is dense jungle, and it is very difficult to reach the terrorists. And I am told that the natives there support the terrorists. Sometimes they stay with their people. Sometimes they go into the forest to join the front lines. It's very much like the Boer War in South Africa. Guerrilla warfare. That lasted several years. There's no communication. The British are using the helicopters, the parachute. The parachutists drop to the trees and then to the ground and a knife.

Q The northern part of your country is mountainous, is it not?

A Some, not very much.

Q But once they got through that area, they would be on an immense plain where they could deploy large forces—

A Yes.

Q Does the present defense plan for Thailand call for a withdrawal in the event of an attack to an area more easily defended?

A We have a plan, of course, but we rely on the defense of our country on the border, and we have 100,000 men we can now use.

Q Do you have that many men on the border now?

A No, just part of that. That's the total force.

Q And in addition to that you have how many police?

A Fifty thousand.

Q Do you think Chinese Communist soldiers will ever come into your country to support this Free Thai movement?

A The Free Thai is the advance guard for the Chinese Communists. The advance guard will come first.

Q Do you think the Chinese will ever go in to assist that Free Thai movement? Do you fear an attack from the Communist Chinese?

A Communist China and the Free Thai are the same, just as the Communist Chinese and the Russians behind the Iron Curtain are the same.

Q But you do not expect the Communist Chinese to support that movement with troops now, do you, or any time soon?

A No, not now. But in the future, I don't know.

Q Do you care to predict where the Communist Chinese might strike next?

A Well, they've gone into North Vietnam, now South Vietnam. Next step is Cambodia. First by infiltration, sabotage, and eventually, when the Government weakens, get into the Government in the person of a Premier. That's their procedure. It will not be by force.

Q Then, after Cambodia, your country might be next?

A That is the Communist strategy now. As you know, their forces extend everywhere.

"Can't stop now— got a telegram for the boss"

THERE'S something about a telegram that says "Look—this is *important.*" From the office boy to the "Old Man", it gets priority attention right up the line.

It gets action, too.

That's why more businessmen every day are using telegrams to do more jobs more quickly . . . and at lower cost . . . on every kind of job from binding a bargain to tracing a shipment, from flashing a price quotation to reaching a hundred dealers simultaneously. Why not put the "action-power" of telegrams to profitable use in your business more frequently?

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it's wise to wire

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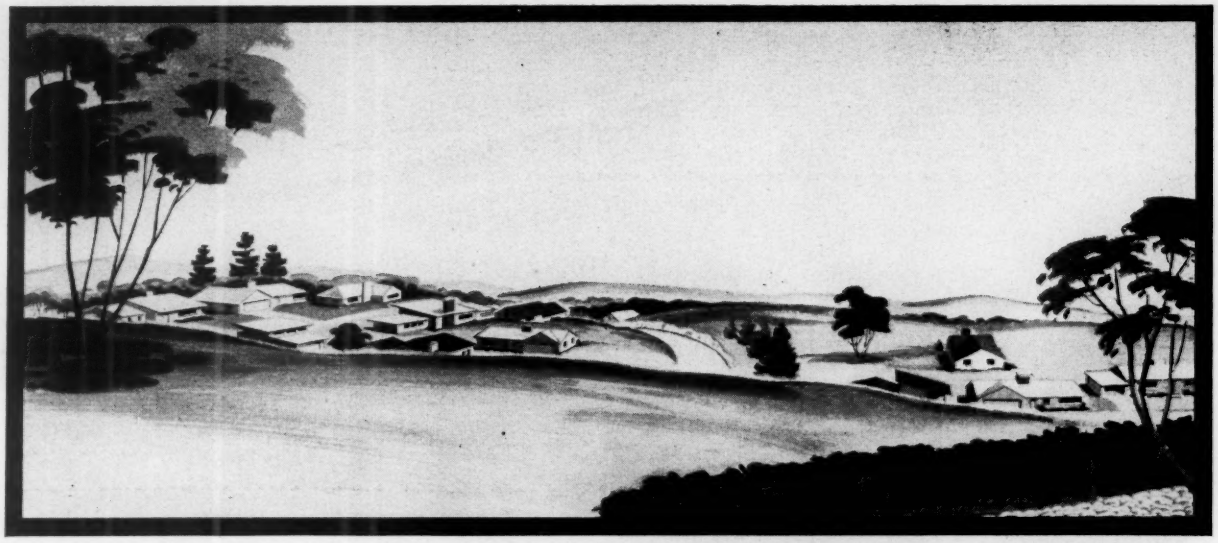
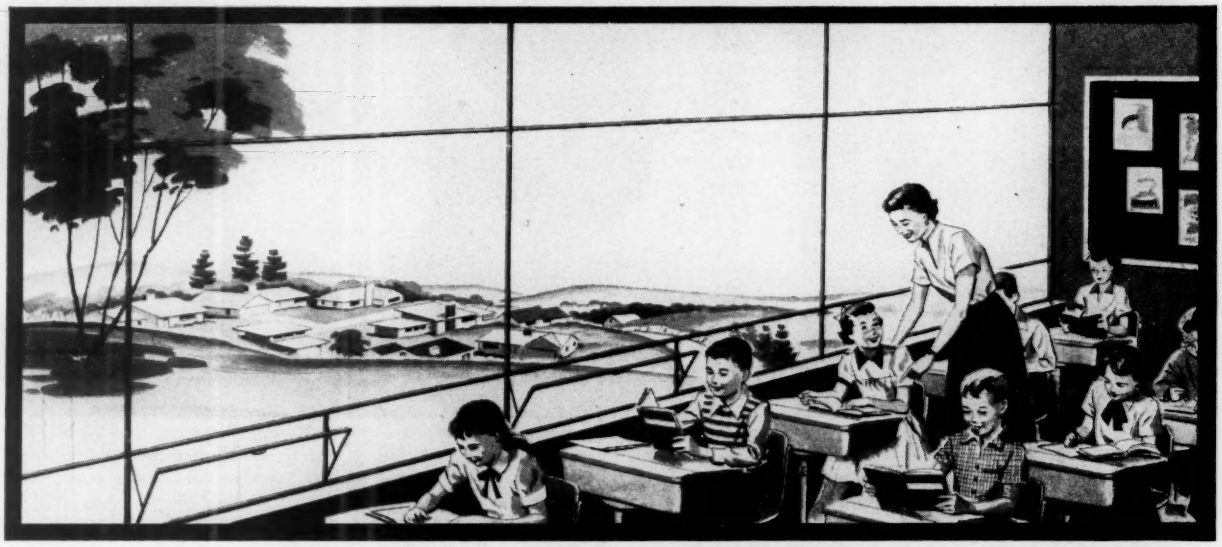
You get 15 words instead of 10 to start with in fast wires . . . extra words cost only pennies. More words in night letters, too.



Nature is a happy part



of the modern classroom

A "Daylight Wall" classroom is a happier classroom because it doesn't shut nature out . . . or children in.

Clear glass from wall to wall and sill to ceiling gives the whole room a feeling of bright alertness and openness.

Cuts costs, too. Artificial lighting isn't needed so much. There's less wall area to paint and maintain, and lower construction costs.

In cold climates, your daylight walls should be *Thermopane*® insulating glass for maximum comfort and heating economy. Write for your free copy of *How to Get Nature-Quality Light for School Children*. Dept. 4855, Libbey·Owens·Ford Glass Company, 608 Madison Avenue, Toledo 3, Ohio.

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News YOU Can Use ®

IN YOUR PERSONAL PLANNING

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Washington, D. C.

You can get a line on what to expect in food supplies and grocery prices from a look the Department of Agriculture takes at the months ahead.

MARKET BASKETS. Things, as a whole, look pretty bright for the housewife's market basket this spring and summer, the Department says. The severe freeze and damaging wind that hit the southern part of the nation in March may make such things as fresh strawberries in May and peaches in June expensive. But effects of the freeze on most supplies will be temporary, the Agriculture study finds. Also, it suggests, the housewife can easily shift her buying to other, more plentiful foods.

FOOD PRICES. A slight edging up in the over-all level of food prices during the next few weeks is in store, the Department says. That's to be a result of the bad weather, coupled with strong consumer demand. It will show most in prices of fresh fruits and vegetables, potatoes, eggs, and some cuts of beef. However, the study adds, supplies probably will become more normal by midsummer, and prices will decline somewhat at that time.

SUPPLY SITUATION. Here, on major items, is the Department's food size-up:

Meat--Larger pork supplies, at lower prices, than at this time last year. Some increase in supplies of better-grade beef, little or no change for lamb and mutton. Price shifts likely to be no more than seasonal.

Sea food--Larger stocks than a year ago; prices somewhat lower.

Poultry--Fewer turkeys, but bigger supply of broilers up to midyear. Egg output indicates substantial seasonal price rise in late summer and autumn.

Dairy products--Production rising seasonally, but no big price change due.

Fruit--Reduced supplies of early fresh fruits. Pecan damage heavy. Grapefruit crop smaller, but Valencia oranges especially plentiful by midsummer.

Vegetables--Winds, drought, freeze hurt important producing areas. Stocks of canned, frozen vegetables also smaller. Prices up, but not much above 1954.

SAVINGS BONDS. The federal tax collector comes up with a ruling that applies when you make a gift of Series E savings bonds you bought with your funds but which you registered in joint ownership with, say, a son. If you have the bonds reissued to make your son sole owner, you are liable for a gift tax on their full redemption value at the time of the transfer. Also, you must include any unreported interest up to then as being entirely your income for tax

(over)

purposes. The tax collector considers that, because you put up the purchase price, the bond is all yours--it isn't half owned by the co-owner. So the whole tax falls on you.

AUTOMOBILE INSURANCE. Frequent use of a friend's car doesn't necessarily void the protection of your automobile insurance under a clause sometimes included in policies. Such clauses extend the coverage to accidents that occur when you drive someone else's automobile, except when the car is furnished to you for regular use. A case in point before the Kentucky Court of Appeals involved two brothers-in-law who often used each other's cars. The Court held that, since the cars each time were used only with the owners' permission, the situation did not come under the policy's "regular use" restriction.

TELEPHONE SELLING. Part-time telephone selling can enable an individual to qualify for Social Security benefits, the Internal Revenue Service decides. In some cases the salesman qualifies as an employe of the company for which the selling is done, in some cases as a self-employed person. If you do the calling from your own home, on your own time schedule, with minimum supervision from the company and on a commission basis, chances are you could qualify for Social Security coverage under rules applying to the self-employed.

CLUB DUES. Servicemen can't claim the dues they pay to officers' or noncommissioned officers' clubs as business expenses deductible for income tax purposes. The Internal Revenue Service says that membership in the armed forces is regarded as being a trade or business. But, IRS adds, that doesn't make service-club dues deductible as expenses that are "ordinary and necessary" to carrying on the business.

USED CARS. Reports are cropping up, here and there, of trouble signs in the used-car market. Stocks on dealers' lots are growing; they average a fourth bigger than a month ago. Prices paid at wholesale auctions have taken a sharp drop, too. This means, if you're thinking about trading for a new car, that dealers are under more pressure to hold down the allowance they will make on your present model. If you're thinking of buying a used car, it suggests shopping around for the possibility of a real buy.

CIVIL DEFENSE. Possibility of lingering radioactivity from a nuclear attack calls for a bigger reserve of food and water in the family larder, the Federal Civil Defense Administration now says. There should be a seven-day supply in home shelters--used and replaced periodically to insure freshness--instead of the three-day supply recommended in the past.

VACATION DRIVING. Watch out for "highway hypnosis" that can lead to auto accidents, now that the season for week-end trips and vacation driving is at hand. Steady speeds on straight stretches of roads, lulling music on car radios, rhythmic pattern of lights at night, the quiet purr of an engine--all can have a faculty-deadening hypnotic effect, automobile clubs in New York and Pennsylvania warn. Preventive suggestions they offer: chew gum or nibble on candy; tune in speakers or commentators on the radio; stop regularly and walk about; vary speed about every quarter of an hour on long trips.

First it warms your heart...

(That Thunderbird Styling!)

It's amazing how just *looking* at the '55 Ford gives so many people that wonderful feeling. Why not? There's "Thunderbird" written in almost every line . . . from the hooded headlights to the flat rear deck. Inside, you'll see new exciting color harmonies in durable fabrics. All in all, there isn't a more *pleasing* car in sight.

Behind the wheel of the new Ford, *you* become a new man. For under your foot lies response so eager and alive, you almost believe it's clairvoyant! This is Ford's Trigger-Torque power . . . and it replies to your driving demands with split-second agility. There's safety in power like this . . . to whizz you out of traffic snarls . . . and to pass you ahead when passing is called for. Three new stout-hearted engines to choose from. And at least a score of other new engineering features. Reading about it is nowhere near the fun of driving the new Ford. So why not visit your dealer today?

Then it reads your mind...

(That Trigger-Torque Power!)

Treat yourself to a Trigger-Torque Test Drive in a new

'55 Ford

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Speediflo saves $8,300

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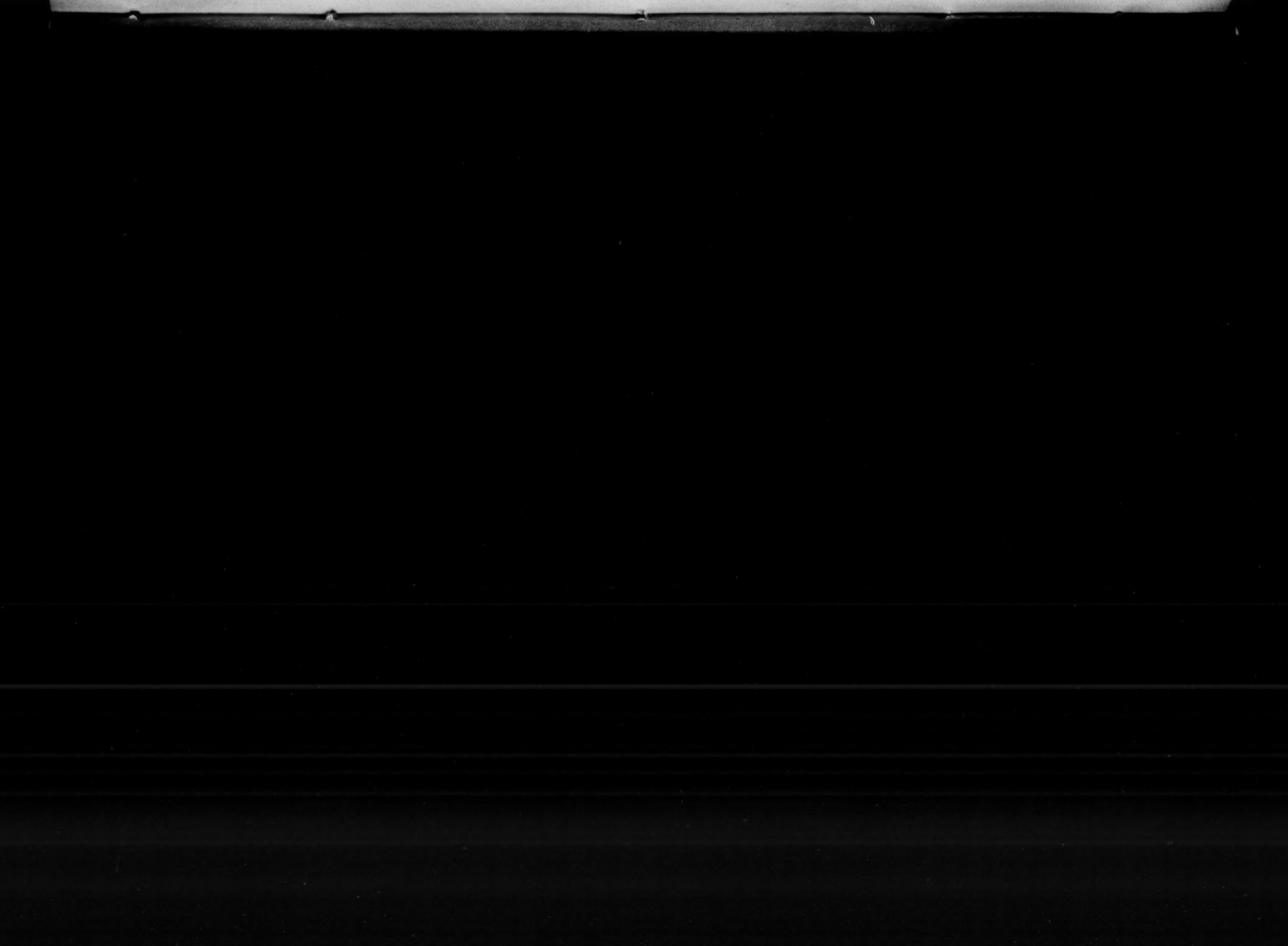


Special Report

(This article represents the result of an extensive research on a problem of outstanding importance.)

HOW U.S. TRADERS FARE IN THE WORLD

Trade barriers stay high in most of the world, despite U.S. efforts to get them down.

This article, based on study in several countries, shows what merchants are up against. U.S. tariffs and quotas look liberal compared with controls elsewhere.

Reported from
LONDON, PARIS, ROME,
BONN, TOKYO and WASHINGTON

The United States, now getting ready to take another snip off its tariff rates, is wondering what other countries are prepared to do in return that will make it easier for American businessmen to sell abroad.

Over the past two decades, the U. S. has cut its import duties to levels that are quite low historically. You have to go back before World War I to find lower hurdles for foreign manufacturers.

In return, other nations have made some tariff cuts, too, but often these have meant little. A high framework of other barriers has been raised—such things as quotas, exchange controls, bilateral agreements and, in some cases, actually higher tariffs.

The chart on this page shows how these rules affect the U. S. merchant when he tries to sell in some of the important foreign markets.

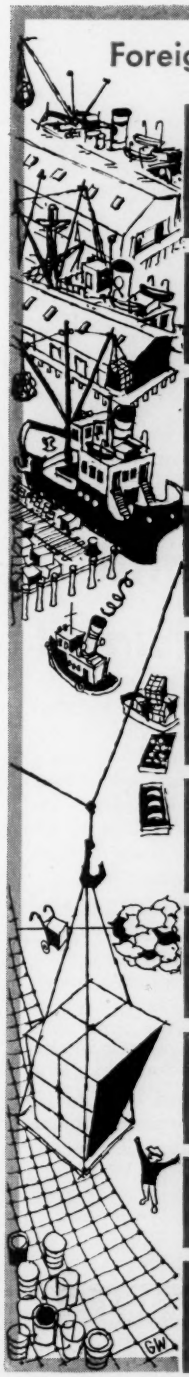
Where U. S. goods are excluded. Some nations have quotas limiting all imports, with a special aim of saving dollars. In practice, this means quotas are tailored to keep out all but the most indispensable U. S. products. Such 100 per cent control is found in Austria, Ireland, Norway, Portugal and Turkey. Few things other than "essentials" are admitted also into Britain, France and Australia.

Since World War II, most governments have been claiming they need tight controls over imports because of the "dollar shortage." They wanted to use scarce dollars for industrial equipment and vital raw materials, instead of luxuries.

But, in the past few years, the dollar shortage has become less of a problem;

(Continued on page 100)

Foreign Countries Limit Buying From U.S.



BRITAIN: All imports limited. Only "token" amounts of "non-essentials" allowed. Machinery, cotton, tobacco, other raw materials imported in quantity. Tariffs protect some British producers.

FRANCE: Imports limited. Exporters can use 5 per cent of U.S. dollar receipts to buy U.S. goods. Other imports from U.S. limited to "essential" machinery, raw materials.

WEST GERMANY: Rules being eased. Many U.S. products imported freely. But quotas in force for food, consumer goods, textiles.

ITALY: Quotas on most U.S. imports, but eased recently. Automobiles, ball bearings, typewriters, canned foods excluded partly to protect Italian industries.

JAPAN: Imports from U.S. increased slightly. Goods competing with Japanese industry excluded, such as steel, textiles, fertilizer, drugs, automobiles. Imports mainly raw materials, such as cotton, wheat, rice, iron, hides.

AUSTRALIA: Low limits on imports; in general, less than 1950-51 level. Only "essential" raw materials, industrial supplies, machinery admitted; consumer products excluded.

PHILIPPINES: Dollars reserved mainly for industrial supplies, machinery. Increased imports of auto parts; finished cars excluded. Tobacco imports controlled to protect Philippine growers.

PAKISTAN: Quotas set on most imports; increased recently for such U.S. wares as metals, tools, automobiles, clothing, radios, hardware, phonograph records, sewing machines.

BRAZIL: Rules tightened. Importers pay special taxes if they buy from U.S.; tax depends on how "essential" import is.

MEXICO: Quotas on long list of U.S. products, including automobiles, other things considered "luxuries." Tariffs raised to protect Mexican industries.

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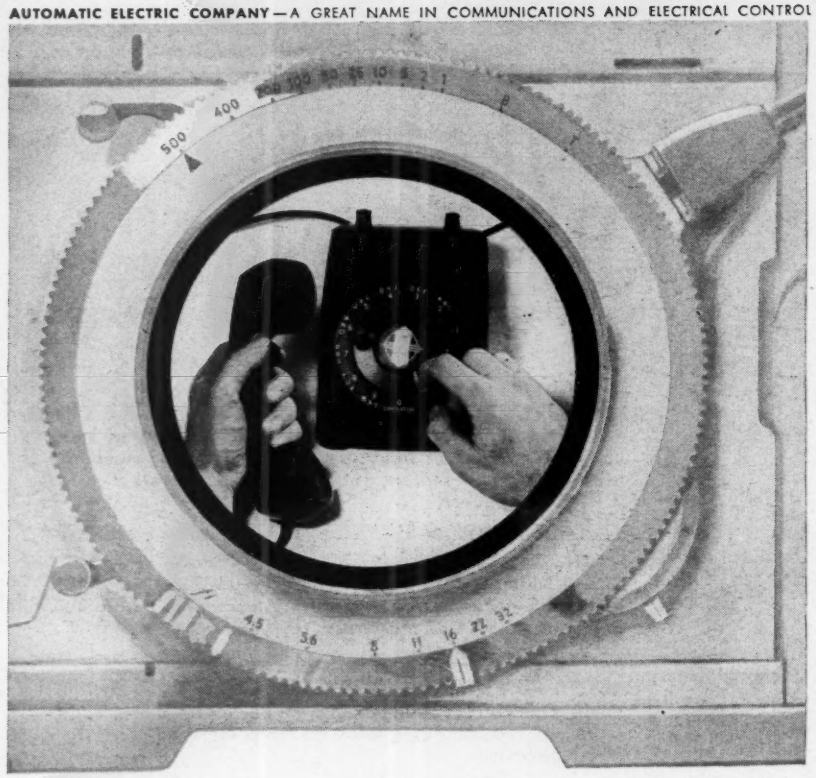
AUTOMATIC ELECTRIC COMPANY—A GREAT NAME IN COMMUNICATIONS AND ELECTRICAL CONTROL



Here, too, $\frac{1}{500}$th of a second *is a long, long time!*

As you operate a telephone dial, you measure off electrical impulses at a speed of ten per second. Automatic Electric established that speed more than 50 years ago in the world's first commercial telephone dial — and it was copied as a standard by all other manufacturers throughout the world. Today, Automatic Electric dials maintain that speed with unsurpassed accuracy; the fact is that during each impulse the dial mechanism opens an electrical circuit at a pre-determined time—accurate to within 1/500th of a second!

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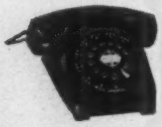

AUTOMATIC ELECTRIC

ORIGINATORS OF THE AUTOMATIC TELEPHONE

European nations moving toward free trade . . .

many countries, especially in Europe, have been able, thanks partly to U. S. foreign-aid grants, to pile up some spare gold and U. S. currency. The shortage excuse for controls has become less persuasive.

U. S. diplomats as a result are becoming more insistent on moves toward freer trade. They are telling foreign leaders, "Congress won't go on voting for freer trade unless you take some steps in that direction, too."

Where U. S. goods are welcome. Here and there, countries are moving toward free trade, especially on the European mainland. Economists estimate that 98 per cent of Switzerland's imports now are not affected by quota limits. In Belgium, Holland and Luxembourg, trade free of such limits is put at 86 per cent; in Greece, 90 per cent; in Western Germany, 65 per cent; in Sweden, 55 per cent.

But only a few countries, chiefly in the Western Hemisphere, do business rather freely with the U. S.; Canada, Cuba, Panama and Honduras are in this group, which controls few imports or none at all.

Britain, Denmark and Italy are being urged to loosen up. The Organization for European Economic Cooperation is making a study, supposed to be finished next month, to see how much such countries can step up their purchases from the U. S. without running into the red.

Now that the "dollar shortage" is less of an excuse for controls, a more hard-boiled reason is becoming prominent. This is "protectionism," restricting imports to promote local interests.

Throughout the world the U. S. is labeled "protectionist." Yet U. S. merchants tell of many instances in which this charge can be turned against the foreigners.

Where industry is coddled. In Italy, for example, there is a demand for automobiles beyond what local producers can supply. However, U. S. cars are excluded, to reserve the market for Italian makes.

At one time, Italy bought carbon electrodes from U. S. Then a plant was built to make this product in Italy. Imports were shut off. The same thing happened in Linotypes, American officials say; after Italy got a plant for making typesetting machines, she refused licenses to import them from the U. S.

Yet Italy allows dollars to be used to buy American phonograph records. This shows that controls are not merely to save money for essentials.

The Philippine Republic wants more

. . . Controls over money used to discourage imports

tobacco grown at home, so it has set a smaller quota for imports. Automobile assembly plants are being set up; so auto parts are to be brought in but finished cars are to be excluded.

Western Germany, one of the freer-trading nations, uses import licensing to protect farmers and some manufacturers. The U. S. now is trying to get officials in Bonn to admit some canned fruits and vegetables, household appliances and textiles.

How goods are kept out. The U. S. businessman trying to operate in these countries encounters a bewildering array of rules; no two countries have the same methods.

Some rely largely on controls over money. A number of South American countries have schedules of exchange rates that discourage certain imports; the less of a thing they want, the more of the currency they make the importer put up when he gets dollars to pay his supplier in the United States. Since the government controls the money market, the higher rate amounts to a tax.

In Brazil, for instance, a 10 per cent tax in Brazilian money, cruzeiros, is levied on all purchases of dollars. Then, in addition, the merchant who imports luxury items from the United States must pay 100 cruzeiros for each dollar he needs to swing the deal; this is 5 times the rate of exchange paid on imports of certain ores, medical equipment and farm implements, which are considered highly important.

Of late, Brazil has made this control system more costly to importers.

Many other countries rely more heavily on quotas, setting specific limits on the amount of goods that can be brought in. In Britain, all imports are licensed. Blanket or "general" licenses are announced for many heavy essential supplies, such as tobacco, cotton, wheat and fertilizer.

For a long list of "nonessentials" only token imports are cleared; these are confined to brand-name products sold in Britain before World War II.

Tariffs are another form of control, as in the U. S. British tariffs on some consumer goods range from 20 to 30 per cent in value. Even if import licenses were granted, American merchants might find this barrier hard to scale.

Mexico, within the past few years, has raised many tariffs.

Tighter controls. Some other countries have been tightening up their controls over imports more recently.

Colombia, like Brazil, is hurt by the drop in coffee prices. She recently banned

(Continued on page 102)

Brightens Things Up!

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The Scotch with Character

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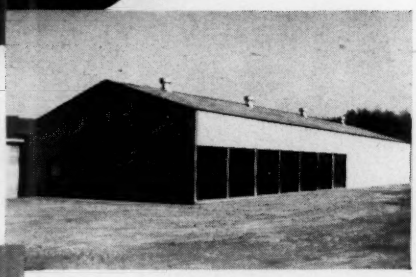

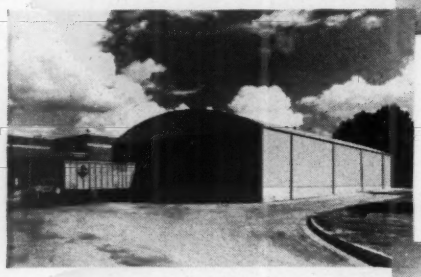

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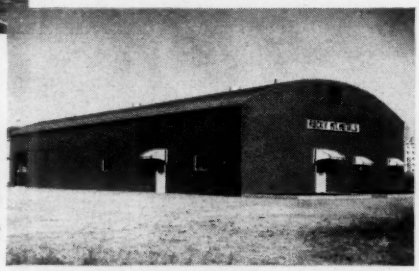

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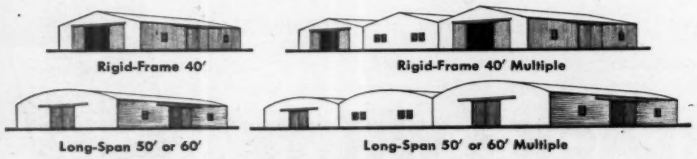

Stran-Steel Division
GREAT LAKES STEEL CORPORATION
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. . . Foreign firms welcomed, with conditions, in Japan

imports of 135 "luxury" products. Stiff taxes, ranging from 10 per cent to 100 per cent, were prescribed for all but the most essential raw materials, when imported.

Australia also has decided to cut down on imports. She has, all along, excluded many types of products.

Other business problems. The businessman who tries to get around the import barriers by setting up production in foreign markets also runs into numerous difficulties.

In Britain, the U. S. businessman has to get Government O.K. to build a factory or open some other business. Factories have to be shown to be "essential."

An American hotel chain got permission to build and run a hotel, soon to open, in London; this was considered important because it would show British hotel managers how an American hotel is run. Permission was denied to a second chain that wanted to buy and operate a British hotel; one example was enough.

Japan is eager for U. S. patents and technical help. But she does not welcome foreign investments unless control is given to local businessmen. One American drug company, in setting up a Japanese subsidiary, was forced to let Japanese hold 50 per cent of the stock.

Italian business interests sometimes gang up on an invader. A U. S. company proposed to set up a plant for making files, but changed its mind when it realized the political power of the Italian manufacturers; it could get no assurance that licenses would be granted to get needed machinery into the country.

Point of view. The American official or businessman who points to these obstacles is likely to meet with a variety of excuses abroad.

Foreigners emphasize that the U. S. still sells more than it buys in world markets. As U. S. aid diminishes, dollars to bridge the gap will be harder to come by.

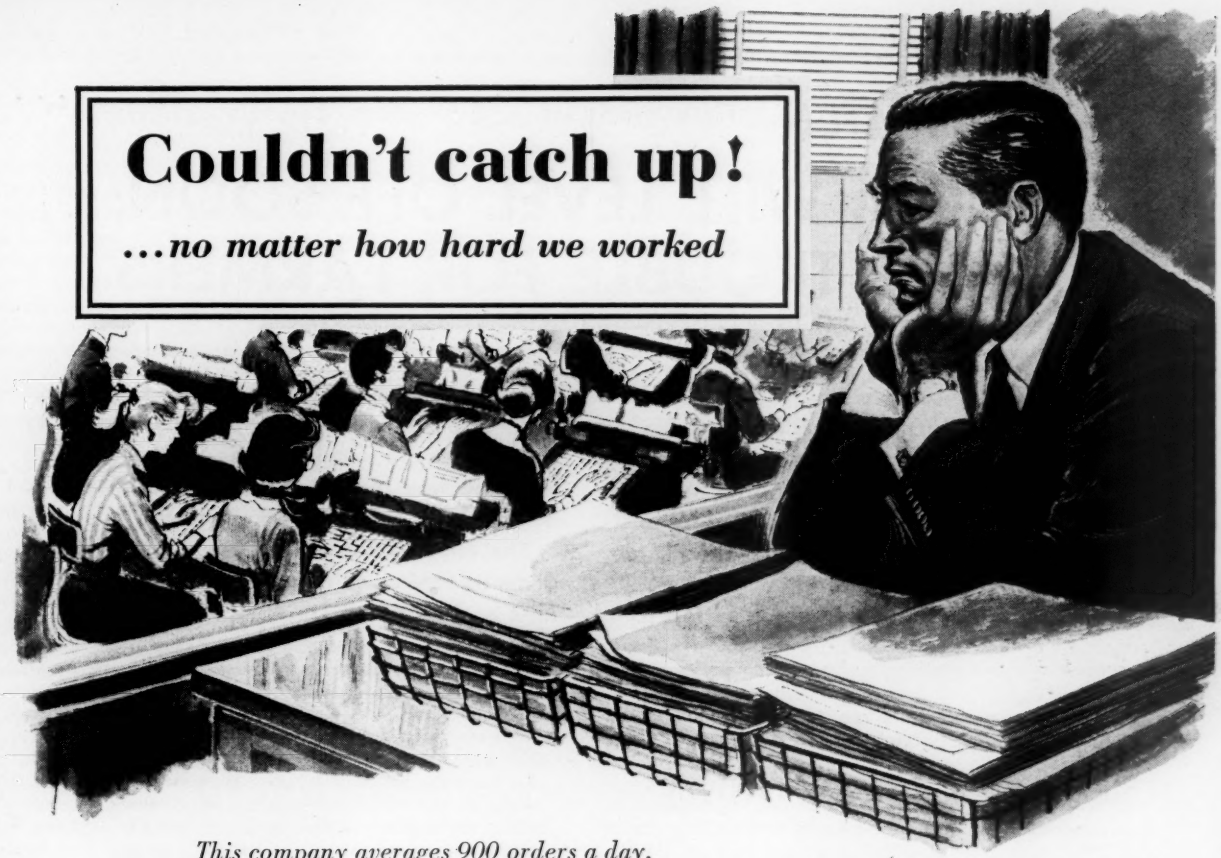
If foreigners buy more from the U. S., it is argued, they may buy less from each other. If Britain or Germany takes more citrus fruits from America, Italy will lose part of her market.

In addition, it is noted, the U. S. also has some controls besides tariffs; quotas are set on imports of a number of important farm products.

All these arguments make the free, multilateral trade that was the U. S. postwar goal still seem a far-off dream. To the merchant they mean that barriers will be high for quite some time, even though U. S. takes steps to reduce them.

Couldn't catch up!

...no matter how hard we worked



This company averages 900 orders a day. With a dozen clerks, and even operators on nine electric billing machines, invoicing lagged—until bills were going out eight weeks late! And then Ozalid came to the rescue!

A new order form was designed, printed on translucent paper. Copies of salesmen's orders are used for invoices. Bills go out on time. Finding billing machine operators is no longer a problem. *The payroll savings is about $1,000 a month!*

In thousands of companies...
Ozalid is expediting operations by making copies of invoices, specifications, statements, orders, reports—to speed order filling, credits, production, billing, accounting, etc.

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Ozalid copies are accurate, delivered dry. A letter sheet size copy costs less than 2¢. Anybody can use an Ozalid machine.

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Ozalid BAMBINO *is the smallest, fastest, low-priced office copying machine; will make 200 copies an hour, on sheets as wide as 9" for less than 2¢ a copy.*

A Big Bank's Forecast—

BOOM WILL LEVEL OFF SOON; MORE TROUBLE FOR FARMERS

As one of the country's biggest banks sizes up prospects in business and farming:

- **Business, at new highs, will probably level off, maybe slip somewhat after midyear, then get a lift from rising investment by business. Inventory building may lie ahead, too, but that would be disturbing.**
- **Farming, as this bank sees it, suffers from too many farmers. There's overproduction despite acreage controls, a huge investment by Government in surplus crops, an interference with the free market. Marginal farmers who might better be out are kept in the business.**

The First National City Bank of New York gives its size-up in its monthly report on business and economic conditions.

Following are extracts from the Monthly Letter of the First National City Bank of New York for May, 1955:

GENERAL BUSINESS CONDITIONS

Many measures of general business activity have now reached, and some have exceeded, the peak figures of 1953. In the space of half a year the nation's output of goods and services rose $13½ billion (seasonally adjusted annual rate)—from the third quarter 1954 low of $355.5 billion to $369 billion in the first quarter of this year. The latest figure is approximately equal to the second quarter 1953 record. The industrial production index is almost, if not quite, back to the 1953 high. Consumer spending continues to set new records. Construction activity is the highest in the country's history.

Moreover, current reports indicate that improvement and expansion continue. The vigor of the economy is evident in production, in sales and in plans for the future. Programs of plant and equipment expenditure have been steadily enlarged since the upswing began.

With business figures making this strong showing, it may now be said that recovery has been achieved. Fundamentally it was a recovery based on consumers' ability and willingness to buy. Between the summer of 1954 and the opening months of 1955, consumers boosted their rate of spending on goods and services by more than $7 billion. They increased their purchases of new homes by $2 billion. As a result of the increase in sales and output, business men stopped cutting back their inventories, thus increasing their rate of spending by nearly $5 billion. These changes together were enough to account for the entire upswing.

In the same period, business investment and government spending were substantially unchanged and therefore were largely neutral influences. Greater state and local government expenditures were offset by continued declines in Federal Government spending for both defense and civilian purposes.

The recovery was effected without a large-scale injection of federal spending; in fact, quite the opposite. Supporting influences were unemployment compensation and other social security payments, and tax reduction. Even this, however, is not the whole story. In the three quarters following the cut in personal income taxes, the rate of consumer outlays on durable goods rose less than a billion dollars; but in the half year after the automobile industry started turning out its restyled '55 models, durable goods purchases jumped over $4 billion. This puts needed emphasis on the success of the automobile manufacturers in offering designs and improvements that people wanted, on the sales effort that the industry has put forth, and on the effectiveness of dealers' price cutting.

The Fall Outlook

With recovery to previous peaks accomplished, the problem now is to achieve long-term, self-sustaining growth. The fact that automobile sales currently are breaking records does not remove the probability that passenger car production in the second half of 1955 will fall 30 to 40 per cent below the present annual rate. Steel mills are operating only a shade below the all-time record, and are now booked heavily into the third quarter. However, possibilities of further increases in the short run are strictly limited. Similarly, residential building projects are already on the books in sufficient number to guarantee a high level of home building during the summer, but a continuation of the past year's rate of increase is practically impossible.

These are indications of a leveling out of the upswing, and in some lines of a decline in operations, sometime during the summer months. With the broadening general improvement, the hope is that this dip will be limited to the usual seasonal proportions, but beyond that point the question is what will carry business forward again. Conceivably, it could be inventory accumulation. But inventory building at a rapid rate would be more disturbing than reassuring.

The soundest impetus for fall business may come from the recent improvement in demand for capital equipment. Business investment in new plant and equipment appears to have touched bottom during the first quarter of this year. Now, business men report plans to increase their capital spending by at least 5 per cent over 1954. In addition, the heavy business investments already tentatively scheduled for 1956-58 promise well for a long stretch of high level capital goods

. . . "Manufacturers anticipate higher sales in 1955"

production and industrial and commercial construction. These findings, from a survey by the McGraw-Hill Department of Economics, are heartening, not only because an area of weakness in the economy is turning into a source of strength, but also because the attitude of business men toward new investment is a good indicator of underlying confidence. Plans for investment, especially the longer-term plans, reflect not only the optimism stirred up by the spurt in sales but the belief that conditions over an extended period will be favorable for the profitable utilization of the new facilities.

The successful weathering of the 1954 recession and the recovery of the past six months appear to have wrought a marked change in business thinking along these lines. Last fall, a similar McGraw-Hill survey indicated that manufacturers would cut capital spending by 7 per cent in 1955; the latest survey reports plans for a 3 per cent increase. All but three of the major manufacturing industries have stepped up their spending plans and some of the changes are dramatic. Iron and steel companies planned a 3 per cent cut in capital expenditures last fall, but now anticipate a 29 per cent increase; machinery companies have shifted from a proposed reduction of 1 per cent to a 14 per cent increase.

About 53 per cent of capital expenditures by manufacturers in 1955 will be used for modernization and replacement, a somewhat smaller share of the total than last year. More money will go into expansion, adding approximately 5 per cent to the nation's industrial capacity. Some firms want to be prepared for expanding demand; others are engaged in a sharp competitive struggle for existing markets. Some have developed new products and are ready to put them into production; others seek to diversify or to round out product lines. Most of them feel the need for keeping pace with changing technology, improving efficiency with up-to-date facilities, and otherwise meeting the challenge of competition.

In general, manufacturers are anticipating substantially higher sales in 1955 and for the longer run. Moreover, they have the money to take advantage of the opportunity. Depreciation reserves (including accelerated amortization) are higher, while the striking improvement in corporate profits already apparent in the first quarter provides both means and incentive for investment.

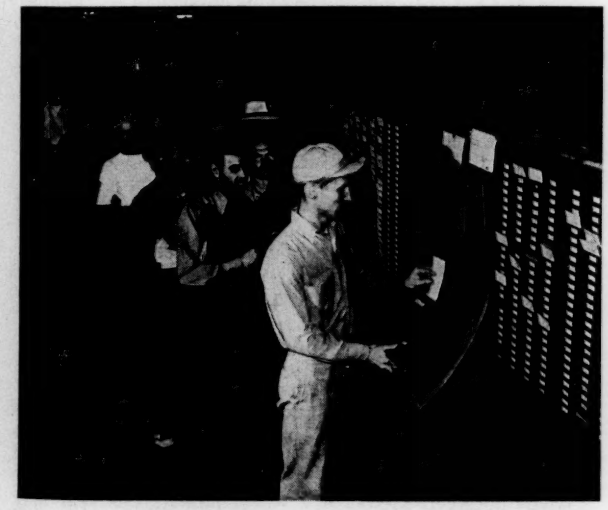
Prospects for Higher Employment

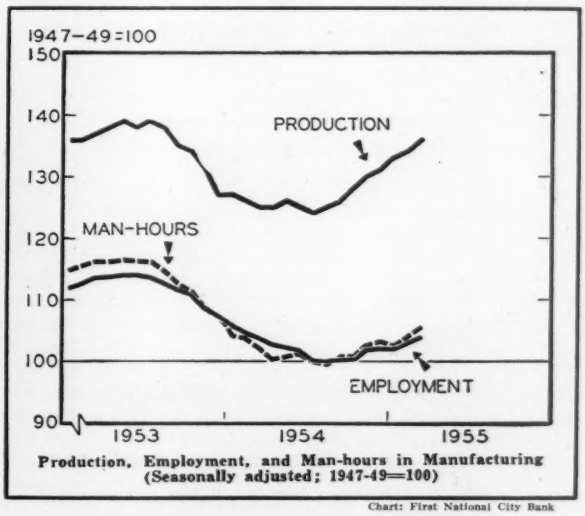
The employment picture is brighter than a few months ago. More persons are at work for longer hours and higher wages, while unemployment is on the decline. The 3.2 million unemployed in March represented a decline of half a million from the peak a year earlier. It would be no surprise if the April total dipped below the 3 million mark. Prospects for employment increases in the next month or so are excellent, according to reports to the Department of Labor.

Factory employment has picked up more sharply in the last few months. Through January, the industrial recovery appeared to be proceeding without large-scale rehiring, as shown in the accompanying chart [on this page]. Since January, however, employment and production have increased at approximately the same pace. In the early stages of recovery it is easier, and often more economical, to increase output through longer hours than to add more workers, especially when hiring would involve reopening facilities or adding a second shift. Beyond a certain point, however, hiring becomes more efficient than overtime, and apparently that point is being reached in an increasing number of firms. The increase in factory employment between February and March was unusually sharp for this time of year.

Even with the lag in manufacturing employment until recently, the steady rise in payrolls since mid-1954 has contributed a large share of the increase of personal income to new record levels. In March, the average factory worker was receiving 6 cents an hour more than a year earlier and was working 1.2 hours per week longer, thereby increasing his average weekly pay $4.59 to a new record of $75.30. The influence of heavy overtime operations in some firms is emphasized by a recent report that wage earners in General Motors plants worked 44.2 hours and earned an average of $103.79 a week during the first quarter, compared with $88.23 a year earlier.

Despite the recent gains in factory employment, the number of production workers is 1.2 million or about one-ninth below the 1953 peak. Manufacturing output, however, is within 2 per cent of its all-time high, as the chart shows. Part of the lag in factory employment can be attributed to the





Production, Employment, and Man-hours in Manufacturing (Seasonally adjusted; 1947-49=100)

Chart: First National City Bank

"Since January . . . employment and production have increased at approximately the same pace"

. . . "Abundant harvests pose a national problem"

inflated employment totals in 1953, which reflected the inefficiencies of high-pressure defense production and the waste-encouraging effects of the excess profits tax. Part of it can be attributed to the lengthening of working hours noted above. Part of it reflects economies and technological change.

The latter is the new bogeyman labeled "automation." Actually it is a trend which has been under way in American industry for years—even for generations. The process of improving efficiency, stepping up production, creating mass markets by offering attractive, competitively priced products has been going on for a long time. It has created many millions of jobs, both in manufacturing and in all the other lines which benefit from an expanding economy.

THE FARM SITUATION

Crop production in 1955, given favorable growing conditions, is expected to approach the bumper harvests of recent years, despite government efforts to curtail output in the face of mounting crop surpluses. The Department of Agriculture has estimated that 59 principal crops planted or grown this year may total 353.5 million acres, only slightly below 1954. Plantings of 16 leading spring crops are placed at 285.5 million acres, 3.2 million above a year ago. Government restrictions are mostly responsible for reduced plantings of wheat, cotton, tobacco, rice, flaxseed, and sugar beets. On the other hand, several million acres diverted from these crops are being planted to soybeans and feed crops, including restricted corn. Like last year, many farmers, who feed nearly all the corn they produce and are not concerned with price support on that crop, are expected to overplant corn acreage allotments.

Drought and dust storms have plagued some wheat areas, particularly in the southern and central Great Plains. As a result, the Department of Agriculture cut its forecast of the winter wheat crop, as of April 1, to 662 million bushels, 17 million below last December's estimate. Cold weather has caused considerable damage to fruits and vegetables in the Southeast. But with mechanization and other modern farm technology available to offset adverse weather, it would take a major drought or flood to dampen seriously current prospects for another over-all bountiful crop harvest.

Crop Surpluses at Record Level

Welcome as abundant harvests are to farmers, they pose a national problem at a time when crop surpluses are already at record levels. The July 1 wheat carryover is expected to be a record of about a billion bushels, enough to meet domestic requirements for 18 months. The anticipated August 1 cotton carryover of nearly 10.5 million bales, while not a record, is well over a year's domestic consumption.

Since federal price supports for many farm products have been more attractive than market prices, the bulk of old crop carryovers will be owned by the Government. As shown by the accompanying chart [on page 108], the Commodity Credit Corporation's investment in farm products at the end of February reached an all-time high of over $7.4 billion, up $1.2 billion over the year previous. Wheat, cotton, and corn alone constituted over three-fourths of this investment, with the balance distributed over more than two dozen commodities ranging from tobacco down to honey.

The fantastic nature of this whole business is illustrated by the problem of merely finding storage space, particularly for wheat. Thanks to use of mothballed government ships, big circus-type tents, and other temporary structures, existing grain storage facilities seem adequate until 1955 crops start to market. However, another large harvest would further aggravate the storage problem, especially if CCC efforts in disposing of present stocks are not too successful.

CCC officials are reported to be considering asking the Congress for $2 billion more borrowing authority, on the ground that the present $10 billion limit may not be enough to meet price support commitments during the coming crop season. Due to a similar situation, the CCC borrowing limit was increased twice last year, first from $6.75 billion to $8.5 billion and later to the current $10 billion.

A Record of Failure

This demonstrates more forcibly than ever the failure of the agricultural price support policies up to now.

The piling up of surplus stocks of farm commodities has occurred despite drastic cutbacks in acreage. For example, wheat acreage was cut nearly 17 million, from 79 million acres in 1953 to 62 million in '54 with a further cut to 55 million scheduled for this year. Cotton was cut 7 million acres, from 27 million in '52 to 20 million in '54 with 18 million indicated for this year.

Despite these restrictions, total crop output has held close to levels of post-World War II years when we were sending more wheat and other farm products abroad. The explanation is simple. With high, rigid support prices on basic crops, acreage controls have been offset by (1) heavier fertilization and other intensive crop practices, and by (2) the shift of diverted acres to non-basic crops (such as soybeans and barley) which, despite lower supports, apparently still are profitable to produce for government storage. In the case of wheat, many farmers are growing high-yielding, poor-quality varieties that return larger government checks at the expense of high-quality wheat needed by flour mills.

The upshot of this policy of high, rigid price supports has been self-defeating. By encouraging surplus production it has had a continuing depressing effect upon farm prices and incomes. Under this program net farm income has fallen from $16.8 billion in 1947 to $12 billion in 1954. Although the flexible support program provided for in the Agricultural Act of 1954 has been denounced by its opponents as "ruining" the farmer, actually no crops have yet been marketed under that program. The Act becomes effective for the first time with 1955 production. The diminishing effectiveness of high price supports is indicated by the number of farm commodities selling below the support levels.

Strangely enough in the light of this record of failure, there are still people who advocate a return to the old system. In March the House Agricultural Committee by a 23 to 11 vote favorably reported out a bill calling for fixed price supports at 90 per cent of parity on basic crops during 1955-57 in lieu of the flexible support program enacted last year.

Farmers Fed Up With Controls

Proponents of high price supports have argued that farmers were willing to submit to the controls necessary to maintain the higher prices. Recent reports, however, indicate that farmers are becoming more and more fed up with controls and may reject the restriction necessary to bring supplies in line with 90 per cent of parity supports or something close to it.

Many observers predict that wheat farmers this year may

(Continued on page 108)

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. . . "Farmers' growing resentment over controls"

vote down marketing quotas on the '56 crop. They cite farmers' growing resentment over controls, and the prospect of lower price supports for '56. Actually, current estimates indicate price supports on wheat, if quotas are approved, ranging between 75 and 80 per cent of parity. Apparently, the feeling is that farmers will not regard this as sufficient inducement to compensate for controls, and that they may prefer to take their chances with unrestricted plantings and free market prices.

We have referred to the tendency of many corn farmers to disregard price supports and the acreage restrictions that go with them. According to E. Howard Hill, president of the Iowa Farm Bureau, "Over half our corn producers chose to give up eligibility for corn loans rather than make an acreage cut last year." Iowa farmers preferred to grow as much corn as they liked—and turn it into marketable meat.

Equally pertinent were remarks by Senator James O. Eastland of Mississippi, leader of the Congressional cotton bloc, before the annual convention of the American Cotton Manufacturers Institute last month. Declaring that mechanized American farms cannot operate under a program of curtailed acreage and high support prices, he stated:

> "Let me stress the fact that a one-third reduction in acreage [referring to the effect of cotton acreage allotments] by no means results in a corresponding reduction in farm operating costs. In fact, very little, if any, reduction takes place in over-all costs. The acres taken out of cotton are put into corn, soybeans, grain sorghums or other crops. These acres have to be prepared for planting, then planted, cultivated and harvested.
>
> "Forcing farmers to divert land from cotton to these other crops generally results in a loss which can only be charged to their cotton operation. Cotton farmers are just beginning to realize, for the first time, the very serious effect a smaller volume has on their net income."

Calling attention to the decline in American cotton exports and rising cotton production abroad, Senator Eastland went on to say:

> "This trend proves the absurdity of the United States attempt to keep world cotton supplies in balance through production controls in this country. It further proves the absolutely false premise of any farm policy which prevents a farm commodity from meeting its competition."

Price Flexibility Essential

If farmers reject production controls, prices must be allowed enough freedom to perform their function in adjusting supplies to demand. The flexible price support program enacted by the Congress last year is a big step in this direction.

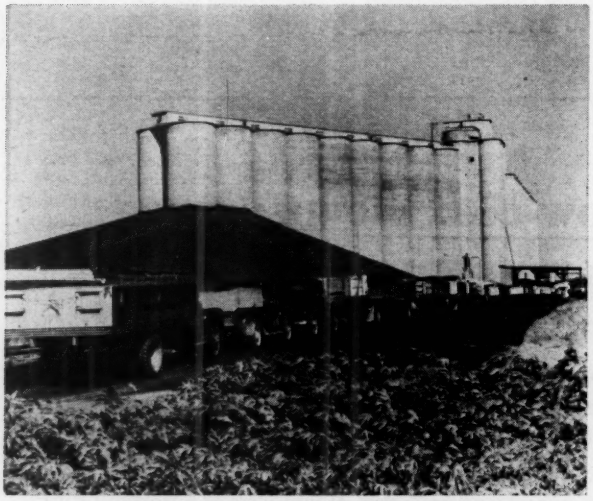
One of the great weaknesses of attempting to curb overproduction by acreage restrictions is that by and large they apply across the board, making no allowance for variations in farmer efficiency, suitability of land, etc. The efficient and inefficient, the good farms and the poor, are cut down alike. There is a minimum of sifting out, and of incentive for farms to be devoted to products for which they are best suited.

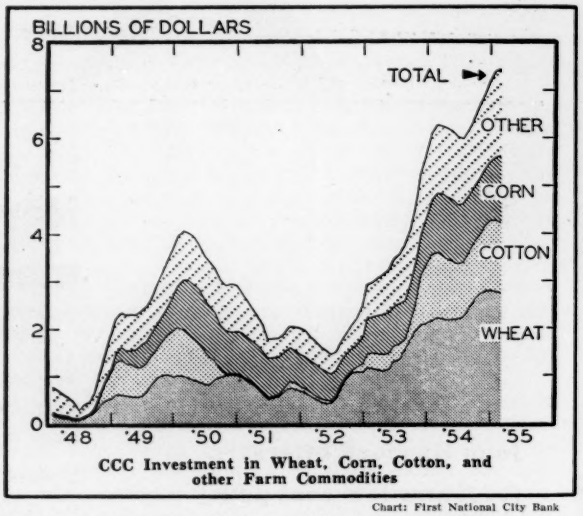
We hear a great deal about the drought and dust storms in certain areas of the West and Southwest. The truth is that, for the most part, these areas should never have been taken out of pasture and planted to wheat, and would not have been but for the high prices brought about first by the war and later maintained by government price supports. As a recent newspaper statement by Grover C. Helm, president of The National Bank of Bloomington, Illinois, put it:

> "We are more than ever convinced that the high support prices on agricultural commodities has been one of the causes of the deterioration of the soil in the western and southwestern states. Much of the thin land that was used for grazing has now been plowed up and put into wheat, and as a result the high winds during the winter months have blown the topsoil in every direction."

We referred to the tendency of some wheat farmers to concentrate on high-yielding wheat to sell to the Government rather than upon quality wheat for the flour millers.

(Continued on page 110)





CCC Investment in Wheat, Corn, Cotton, and other Farm Commodities

Chart: First National City Bank

"The piling up of surplus stocks of farm commodities has occurred despite drastic cutbacks in acreage"

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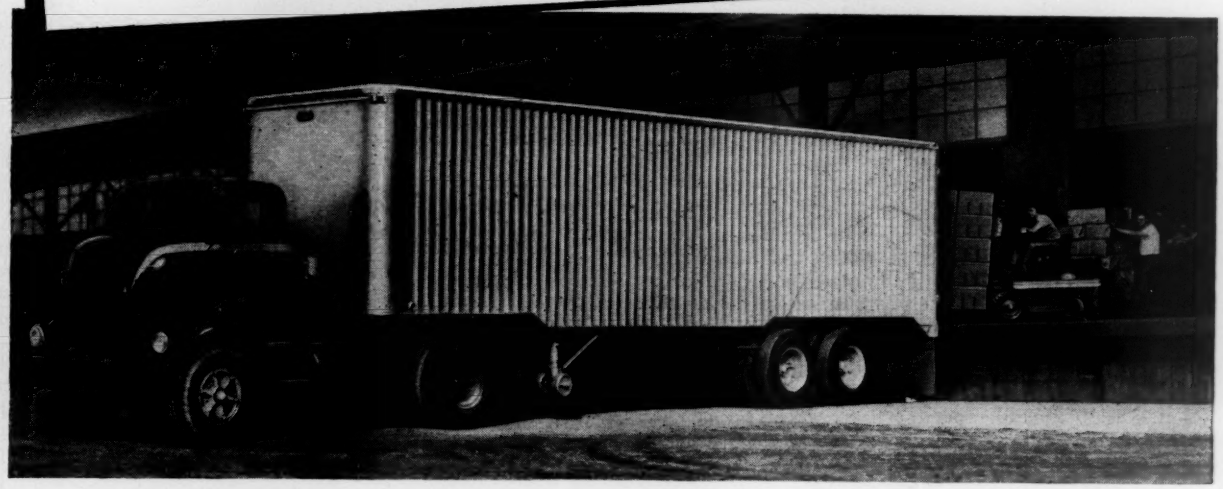

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. . . "Too many farmers producing the wrong things"

Secretary of Agriculture Benson, in an address before the Pacific Dairy and Poultry Association at Salt Lake City in March, elaborated on this theme and brought out clearly some of the distortions created by high price supports, as follows:

> "In talking about this wheat surplus problem, we lump all wheat together—spring and winter—hard and soft—red and white—high protein and low protein. Yet farmers know there can be at least as great a difference between different types of wheat as there is between Holstein and Hereford cattle.
>
> "At a time when we have a record-breaking surplus of wheat in the United States, there is an acute shortage of durum wheat and a tight situation with respect to high protein milling wheat. Flour has been selling at the highest prices since 1920.
>
> "Farmers in some parts of the country have been concentrating upon exceptionally high-yielding wheat, rather than upon quality wheat. Since the grain is produced for sale to the government at a fixed guaranteed price, rather than for conversion into bread, the sole objective is to grow as many bushels as possible on the allotted acreage.
>
> "Unrealistic price supports have brought about a sharp rise in wheat production outside the area we normally think of as the commercial wheat country. The Corn Belt has become the source of more wheat. So have the grasslands of the southern Great Plains and the dairy regions of the Northeast.
>
> "In Illinois the 1953 wheat acreage was 51 per cent above the 10-year average. In Michigan it was up 46 per cent. Even in New York the increase was 36 per cent. One 'dust bowl' county of eastern Colorado, which reported a mere 5,000 acres of wheat in 1939, had 365,000 acres in this one crop by 1952 as the 'suitcase' farmers and speculators moved in."

What has been the result? As Secretary Benson went on to point out:

> "Now, farmers in the low-cost areas where most of our wheat has been produced in recent decades find themselves in the same production strait-jacket as growers in states less favorably suited to efficient wheat production. The man who has been growing quality wheat for the market gets cut back on the same basis as the man who grows wheat for the government loan."

The Secretary put his finger on the main point when he said:

> "I would like to see us produce wheat in the regions where it can be grown most efficiently. Many of these areas are not well adapted to the production of profitable crops other than wheat."

Thus we come back to flexible price supports as a necessary ingredient of any solution to our problem of farm surpluses. Allowing the price mechanism more play should lessen such misdirection of effort as illustrated above and promote the balanced development of agricultural resources that Mr. Benson talks about and that is the objective of the present Administration's farm program.

Example of Dairy Products

An example is what happened in dairy products. A year ago, as Secretary Benson pointed out in his speech previously quoted, the Government was getting into the dairy business at an unprecedented rate. Milk production was booming to new highs month after month. Consumption, particularly of butter, was moving lower while huge surpluses of dairy products continued to pile up in government hands.

All this was happening under a program of price supports at 90 per cent of parity. Obviously, continuation of the same program which had helped get us into this situation would never get us out of it. Accordingly, supports at 75 per cent of parity for the marketing year which began April 1, '54 were set under the provisions of the law that directs the Secretary of Agriculture to fix supports at a level that will assure an adequate supply of dairy products.

The move evoked widespread resentment among dairy farmers at the time. Yet now, a year later, we are in a position to evaluate the results. Milk production, reflecting a decline in cows milked, is running below '54. At the same time, consumption of dairy products has been increasing. While this was due in part to CCC disposal programs at cut prices, it reflected also better demand through normal distributive channels as lower support prices were passed along to the consumer in lower retail prices, particularly butter. As a result, during the marketing year ending March 31 last, government purchases of butter were down 45 per cent as compared with the corresponding period a year earlier, purchases of cheese 66 per cent, and nonfat dry milk 21 per cent.

Thus, the discouraging dairy situation of a year ago has been transformed to a more hopeful outlook. Price during the past year was given a better opportunity to regulate supply and demand.

• • •

The Real Issue

The broader lesson that emerges from these contrasting experiences in wheat and dairy production is that we have too many farmers producing the wrong things; also too many producing the right things with methods which despite great progress over the years, still fall far short of the potentialities for technological advance. By perpetuating an artificial price structure we have tended to freeze production patterns and retard development of maximum farm efficiency. Marginal operators, who might otherwise have turned to other crops or even to other occupations, have been encouraged to hang on, thereby burdening agriculture generally with overproduction for which the taxpayer foots the bill.

The basic trouble, whether we like it or not, is that there are too many people trying to make a living out of agriculture. As in everything else, improved machinery and methods have wrought a revolution in output per worker. It is the old story told again of fewer and fewer people being needed in agriculture to produce the food and fiber for themselves and the rest of the population. Without this shift in occupations this country could never have enjoyed its great industrial development.

Thus, stripped to essentials, the issue comes down to (a) whether to buck this trend by holding the umbrella of high support prices over farmers generally, keeping more people in agriculture than needed and adopting a spread-the-work policy of rationing output regardless of productivity or (b) whether to recognize and accept this trend by restoring the test of flexible prices which, applied within limits cushioning their impact, should channel production into fewer and more capable hands. For those who are willing to face the facts, there seems little choice as to which course will, in the long run, prove best for agriculture and for the country.

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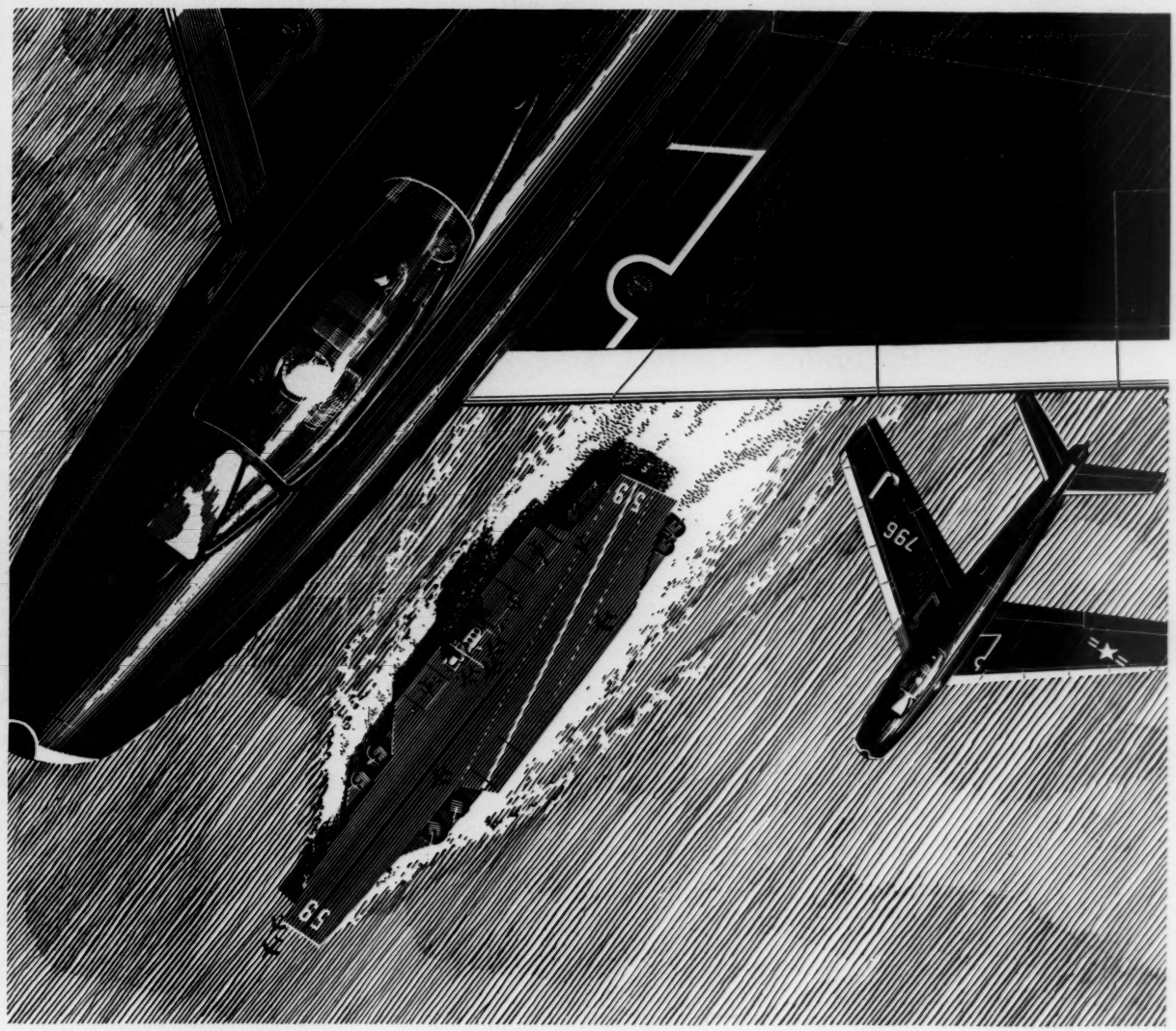

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TRIESTE—This city is getting a taste of what could happen to other places in Europe, such as Austria, when U. S. troops pull out. Trieste is going broke.

Less than six months after U. S. and British forces pulled up stakes, this city is in the midst of a serious depression. And there seems to be no immediate way out of its predicament.

Under Italian rule, unemployment and bankruptcies are rising. Discontent is leading to strikes and lockouts. Communists already have the second-largest party here, and they exploit economic discontent for all it's worth.

It is not at all what Triestines hoped for when Italy and Yugoslavia last October 5 signed an agreement dividing between them the whole territory of Trieste—long an area of violent conflict over rival claims.

Under that agreement, the Yugoslavs kept the zone they had been occupying in the south. Italy took over the northern zone, including the city itself, from Allied troops who had garrisoned the city since the end of World War II.

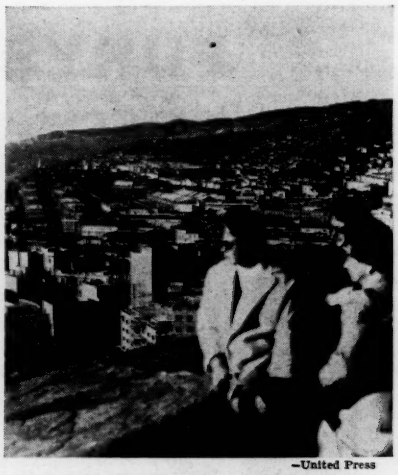
The good old days. Now many persons here look back with nostalgia to the days when free-spending American soldiers kept the city humming.

Up to the time the Americans left last October, the U. S. had poured close to 10 million dollars a month into this city of less than 300,000 people—money spent on salaries and wages for local labor, and on purchases by the 4,000 U. S. soldiers and their families living here. Britain, with 3,000 troops, put another 5 million dollars a month into the Trieste economy. About a third of Trieste's total labor force did part-time or full-time work for the Allied troops.

Today, at first glance, Trieste does not seem much different from what it was under Allied rule—except for the absence of American and British Army uniforms and the scarcity of American cars. As in any other Italian city, bicycles and motor

(Continued on page 114)

THE PORT IS SELDOM USED . . .



—United Press

. . . THE CITY IS IN TROUBLE

. . . and Triestines look back on the occupation as "the good old days"

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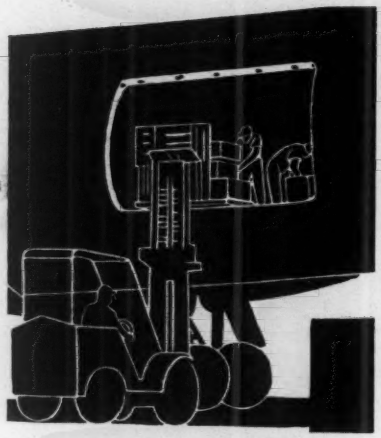

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memo

. . . Free-zone idea for Trieste gains favor

scooters weave through the streets. Citizens sun themselves and sip apéritifs at outdoor cafes.

Looking closer, however, you find the city's port virtually idle. There is less bustle in the shopping districts, and inventories are down. Night life has practically disappeared. Night clubs that burst at the seams during occupation days now appear deserted. More than half of them have closed down. About one quarter of the territory's labor force is unemployed.

Business is so bad that Trieste's shop owners are staging protest shutdowns of their stores once a month, hoping the Italian Government will do something about the depression.

In March, the lockout lasted one hour. In April, all shops closed down for an afternoon—concurrently with a general industrial strike that brought the factory activity of Trieste to a halt.

A declining port. Actually, these troubles go far beyond the departure of Allied troops and their money from Trieste.

The real trouble is that Trieste is built around its large, well-equipped port—and that port has not really been much good to anybody since the days before World War I, when Trieste was part of the Austro-Hungarian Empire and was a big shipping center for Central and Eastern Europe.

That shipping declined sharply after Trieste was handed over to the Italians at the close of World War I. Now it is cut off almost entirely, with Eastern Europe behind the Iron Curtain. And non-Communist countries, such as Austria, prefer to ship through Genoa and other better-equipped ports.

Industries here are becoming more and more stagnant. Even now, investors are wary about Trieste's political future and its reputation as a trouble spot. A large expanse of land, set aside near the port to accommodate new industries, remains virtually empty.

Italian administrators, taking over Trieste last October, promised several measures to help the Trieste economy—better road and rail traffic out of Trieste, new housing, public works and incentives for industrial investments.

Some minor measures have been put into effect. But none of the major economic steps has been taken.

Trade between Trieste and its former farm backlands to the south is stifled to a greater degree than ever. People cannot travel back and forth between the city and the Yugoslav zone to work or do their marketing as they used to. The border now is strictly controlled by Yugoslav guards.

The solution? What most Triestines favor as an answer to their economic troubles is designation of the entire territory of Trieste as a free customs zone, like Tangier.

Under this scheme, Trieste would remain part of Italy, but goods could come in virtually free of customs duties and other charges. The argument is that this step would lower prices for Triestines and stimulate a flow of tourists seeking bargains.

Practically all the political parties favor the free-zone idea—but officials are worried by the way the Communists have gotten hold of a popular issue and are pressing it much harder than other parties do.

Communists push not only for a free zone, but an autonomous government for Trieste within Italy—an idea that also strikes a popular chord here, even among non-Communists who welcomed Trieste's return to Italy. In the 1952 municipal elections, 38 per cent of the people voted for political parties that had come out against union with Italy. And that percentage seems to be growing.

The Communists, in the 1952 election, collected only 17 per cent of the vote. Since then, however, economic discontent has been helping the Reds.

The head of the party, Vittorio Vidali, is an old-time Communist. He was trained in Moscow, served the Communists in the United States and Mexico, and is considered a top organizer.

Red run unions. Communists dominate the industrial unions, and they show none of the decline in strength to be found in neighboring North Italian industries. Recently, in protest against threatened wage reductions, Red dock workers refused to launch a newly constructed tanker on the very day that an Italian Cabinet minister arrived to speak at the launching ceremonies.

An issue the Communists push especially hard is expansion of East-West trade and the relaxing of strategic controls that restrict such trade. The idea goes over with many people who remember that Trieste once flourished as a port for Eastern European countries.

The longing of most Triestines is for the days when GI money was shoring up their economy. All kinds of rumors fly through the city from time to time—that Americans are coming back to Trieste to set up a military base, or that the U. S. is going to establish a naval base here in the near future. There is elation, until the rumors turn out to be false.

One Triestine put his nostalgia into these words: "The next time the Americans come, they won't be able to go away again—we'll cut off their legs to make sure they stay."

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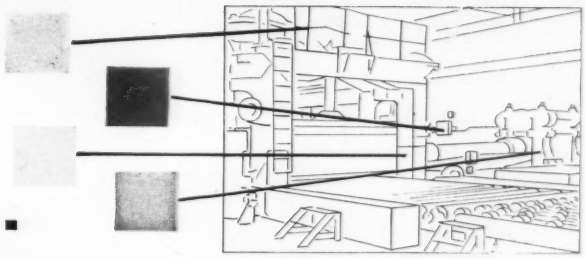

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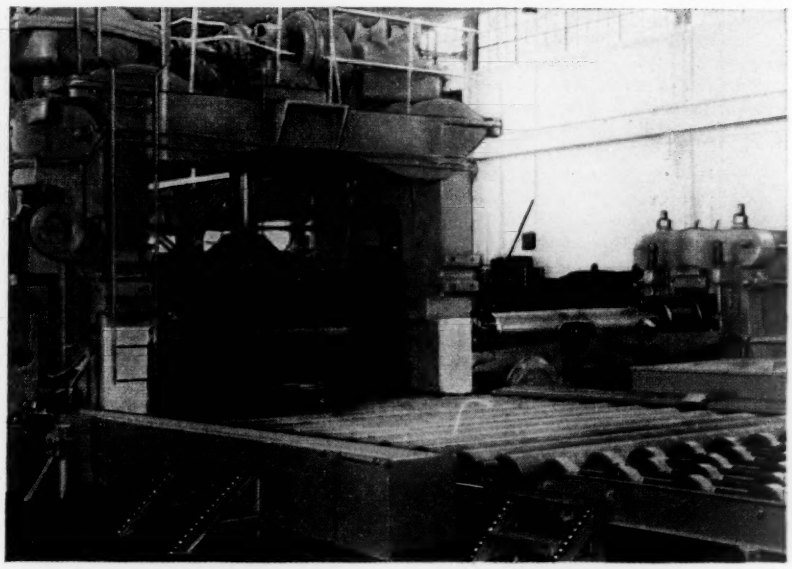

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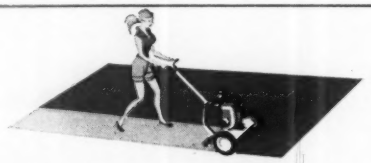

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CASTING SNOW TO THE WINDS to clear walks and driveway areas around homes, stores, and buildings, is no job at all for *Bolens* Sno-Caster, one of many *Bolens* tractor attachments.

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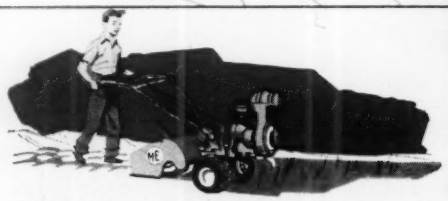

NEW TWIST makes it possible to loosen and aerate soil, cut and mulch weeds, in one operation—with *Bolens M-E* Rotary Tillers.

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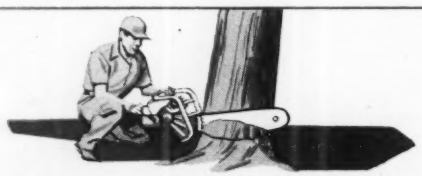

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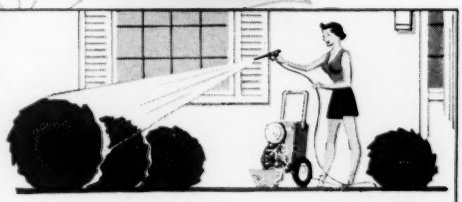

PROTECTIVE MISTS that kill garden and nursery pests are easily applied over small acreages with handy John Bean portable power sprayers.

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62 MILLION JOBS: WHERE?

27 Million in Industry and Trade—Others Scattered

What lines of business are doing the most hiring these days? A study of nearly 62 million people at work shows this:

Factories provide jobs for more than 16 million workers. Retail and wholesale establishments rank next. Government is the third-biggest employer. Soft spots still show up here and there.

The business boom of 1955 is generating a near-record number of jobs. Right now, the latest official count shows 61,685,000 people at work, with prospects that the average for the entire year will be even higher.

In only one other year have so many persons held jobs in this country, and that was in 1953 when employment for the 12 months averaged 62,213,000.

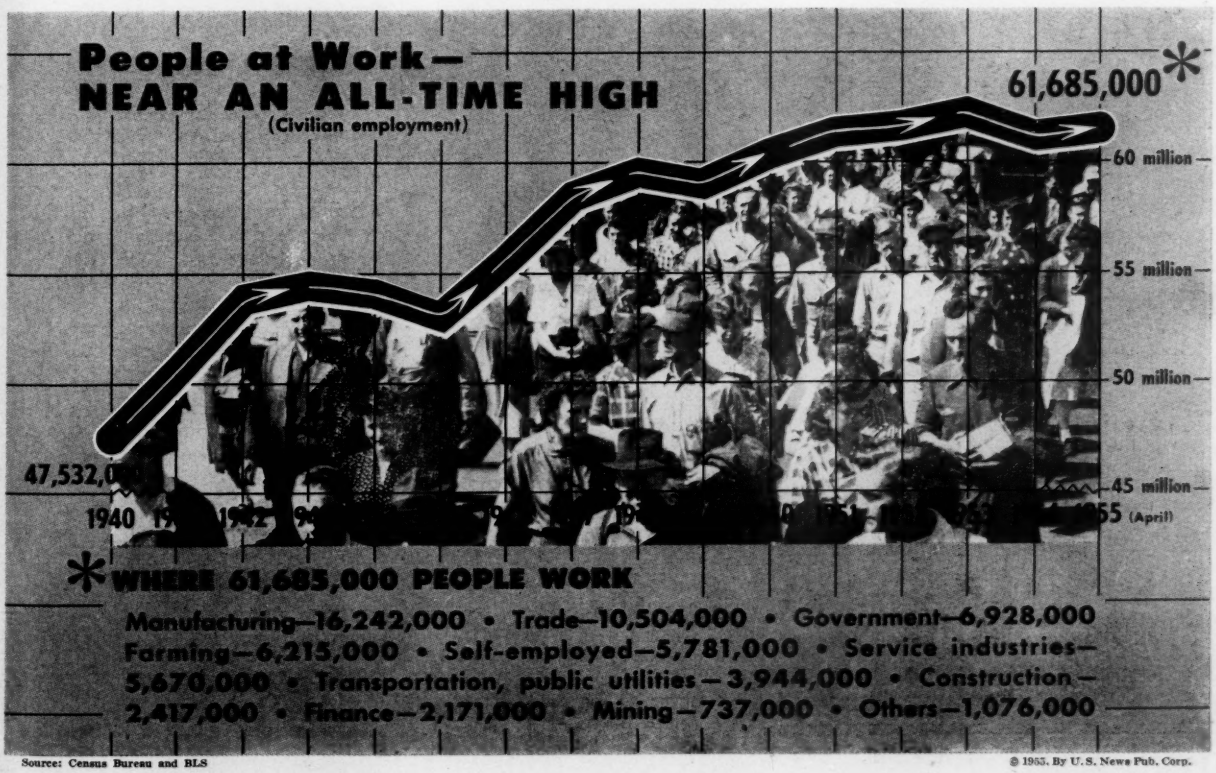
Yet, unemployment still is a problem in some parts of the country. The number of persons out of jobs has dropped below 3 million for the first time this year, but large numbers of new workers are entering the labor force every month. It is a situation that raises questions as to where the jobs are and where they are not.

A breakdown of employment figures provides the answers.

- Manufacturing industries account for the largest group of workers, with 16.2 million jobs. This is a gain of 294,000 jobs over a year ago.
- Second largest group of workers is in the wholesale and retail field. More than 10.5 million have jobs here, a rise of 30,000 in a year.
- Federal, State and local governments employ 6.9 million workers, exclusive of military services. The number of federal employes is down slightly, but State and local governments are hiring more.
- About 6.2 million people are working on farms, as laborers, owners or members of the family. This is a gain of 139,000 in the last year.
- Doctors, lawyers and other "self-employed" account for nearly 5.8 million of the people at work off the farms.
- Nearly 5.7 million workers have jobs in the "service" industries, such as laundries, cleaning-dyeing plants, hotels. This is a gain of 59,000 in a year.
- Railroads, airlines, bus lines, trucking firms and various public utilities, such as telephone and electric companies, employ a total of more than 3.9 million workers.
- More than 2.4 million people are engaged in home building and related fields, such as highway construction.
- Jobs in banks, real estate firms, insurance companies and similar fields add up to nearly 2.2 million, a rise of 75,000 in the last year.
- Fewer miners are at work. The number has dropped 35,000 in a year, to the present level of 737,000 employes.

Factory jobs: on the rise. An increase of 41,000 jobs in manufacturing was reported between March and April. Since January, factory jobs have increased

(Continued on page 118)



Source: Census Bureau and BLS

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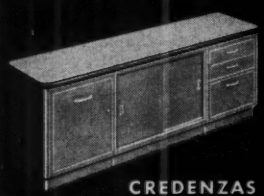

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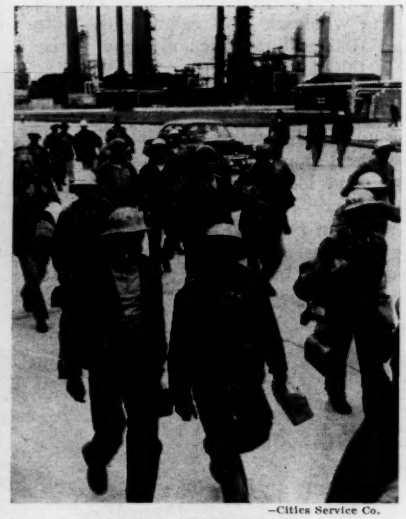
. . . 13 of 21 groups show employment increases

almost 320,000, the sharpest rise since 1947 for that period of the year.

Thirteen of 21 major industry groups showed gains in employment in the last month. Largest increases came in metal and metal-products industries, the Bureau of Labor Statistics reported.

Primary-metal industries—steel mills, zinc smelting, etc.—had nearly 1.3 million on the payroll in April. This was 88,400 more than in April, 1954. The gain here between March and April was about 23,000, largest gain for the month since 1950.

The machinery industries, employing 1.6 million, also recorded gains in the last month. The increase of 22,000 jobs



—Cities Service Co.

THE LABOR FORCE
. . . nearing the record mark

was the third in a row, contrasting with a decline of 18 months that started in mid-1953.

Plants making electrical machinery and appliances have 1.1 million employes, a gain of 13,600 in a year.

Auto plants helped in an upsurge of jobs that has been going on for seven months in the transportation-equipment field. Nearly 1.9 million people are at work in this group of industries that includes railroad equipment as well as autos, aircraft and shipbuilding.

Factories that fabricate other types of products from metal have a million workers on their payrolls.

Another large group of workers is in the mills making wood products. There are about 700,000 in this field, plus about 350,000 in furniture plants.

(Continued on page 119)

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. . . 3 million jobless, but total is down

Glass manufacturing, along with makers of stone and clay products, account for another half-million workers.

Plants making instruments and related products have about 300,000 employes.

About 136,000 are employed in ordnance plants, making arms and ammunition. The ordnance plants show a decline of 31,800 workers from a year ago.

In the "soft goods" field, more than 1.4 million people are at work in plants processing foods and beverages.

A job decline occurred last month in the clothing industries, but the loss of 48,600 jobs was smaller than is customary at this season. The 1.2 million employed here is 30,900 above the April, 1954, figure.

Textile mills, employing more than a million workers, had about 6,000 fewer on the payroll than in March.

Tobacco firms also cut employment a bit, having a total of 88,600 at work.

Paper, on the other hand, stepped up employment, to 539,000.

The printing and publishing industry has about 800,000 on its payrolls, as does the chemical industry.

About 250,000 workers are in industries making products from oil and coal.

Another 269,000 are in the rubber industry, including tires.

Leather and leather products provide jobs for 376,000 workers.

The military services had 3,134,000 on duty during April, a slight decline from the March level.

Unemployment, according to Census Bureau figures, declined a bit between March and April. It was estimated that 2,962,000 people were out of work, and available for jobs—a drop of about 200,000 in a month. This drop came despite a large increase in the number of people entering the labor market to seek work.

A look ahead. The present high level of employment is expected to get better in months ahead, according to an analysis by the Economic Unit of *U. S. News & World Report.*

An employment average of 62,030,000 for the year 1955 is seen, an increase of 792,000 from 1954.

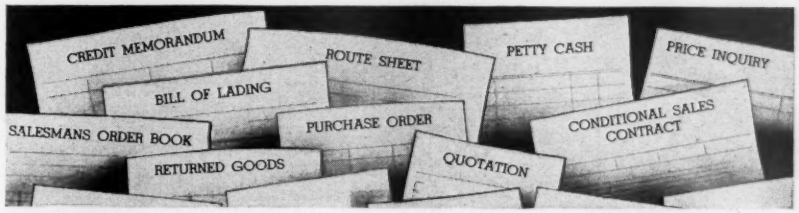
An even higher level is expected for the first half of next year, when it is estimated that an average of over 62 million people will have jobs.

This increase should about parallel the increase in the labor force, but it would not absorb all of those leaving the military services as well. Thus, unemployment could rise somewhat.

Many industries are expected to help

(Continued on page 120)

Which of these many



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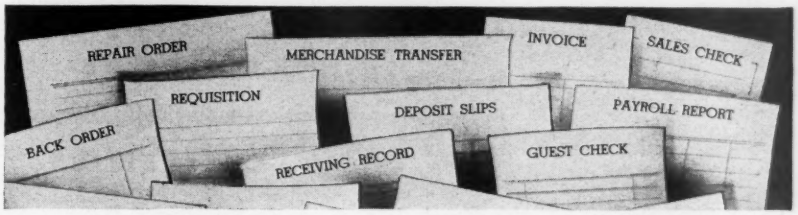

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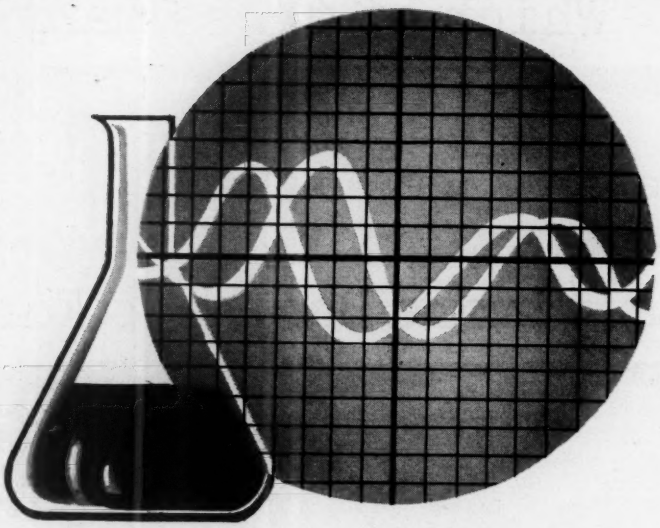

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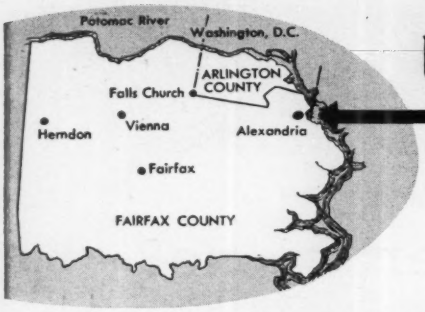

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. . . An even larger work force is expected in '56

in the boosting of employment in the next year. Manufacturing plants will turn out more goods, will need more employes to make the goods, despite improvements in efficiency. Then, more workers will be required to carry the goods and materials, to distribute them through the trade fields, to service the new appliances.

State and local governments will continue to add more workers.

It now appears that fewer workers will be employed next year in mining and construction than at present.

A decline in farm jobs also is expected. Employment in agriculture has dropped each year since 1940 with the exception of 1949.

Concessions End Rail Strike

A strike that lasted two months and crippled business in a 13-State area of the South now turns out to have been a disagreement over the rules under which a neutral outsider would decide the issues in dispute.

The Louisville & Nashville Railway and 10 unions that went on strike March 14 agreed last week to abide by the decision of an arbitrator. Each side made a concession in agreeing to go to arbitration, which had been proposed earlier by the National Mediation Board and by Governors of Southern States.

The unions' concession came in the form of an agreement to call off the strike before final settlement was reached. The railroad had demanded that the walkout end before the case went to arbitration. The unions had talked of keeping the strike going until they got a signed contract.

The railroad management agreed that the arbitrator could rule on all of the original demands filed by the unions and company in 1953. The unions had been insisting on broadening the issues beyond those covered by recommendations of a presidential emergency board, issued last August. The railroad wanted to limit the issues, but, in the end, gave up the point.

The unions, in the original demands, asked that the entire cost of a health-insurance program be financed by the railroads. The emergency board, however, proposed as a compromise that workers and railroads share equally in the cost. By widening the scope of arbitration with the L. & N., the unions hoped to force the company to pay the entire cost of the insurance program.

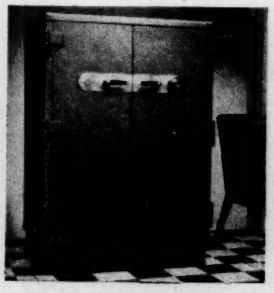
What happens when businessmen are too rushed?

YOU KNOW the *obvious* things, of course. The piled-up desk, the decisions hanging fire, the appointments cancelled. It's a familiar picture. *Serious*, too. For it can cause an important matter to get lost in the shuffle—one that might put you *out* of business.

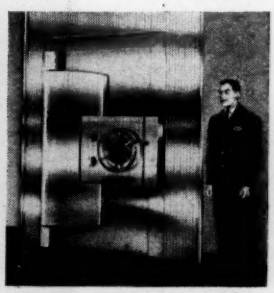
If you're too rushed, chances are you've never really had *time* to see whether your accounts receivable and other business records are kept in a *trustworthy* safe, or a potential "incinerator." There are *thousands* of "unsafe" safes in use, today. They don't bear the Underwriters' Laboratories, Inc. label. If a fire starts, they cremate records.

You can't count on a fireproof building to prevent such a tragedy. For these buildings just *wall-in* fires. Make them *hotter*. And fire insurance probably wouldn't cover your losses fully, either. For there's a clause which says: "proof-of-loss must be rendered within 60 days." Could you "*render*" it without records?

Don't let "*being rushed*" keep you from protecting yourself! Out of every 100 firms that lose their records in a fire—43 never reopen! If your safe is old, or doesn't bear the Underwriters' label, or carries a lower rating than your risk calls for—replace it! Get the safe that has *never failed*, the famous Mosler "A" Label Safe. Look below. See why it's the world's best protection. Then look up *Mosler* in the phone book . . . or mail coupon for free FIRE "DANGER*ater*."



The Mosler "A" Label Record Safe will withstand 4 hours of severe fire at 2,000° F. Handsome. Modern. Equipped with "Counter Spy" Lock. Full range of sizes—at *lower* prices than most people guess!



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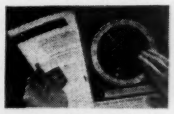
The **Mosler Safe** Company
Since 1848



Free! Tells your risk!

Please send me your FIRE "DANGER*ater*," which will dial my risk in 30 seconds. Accurate. Authentic. Easy to use. Figures in all vital hazards. Also, send me your new Mosler Record Safe catalog.

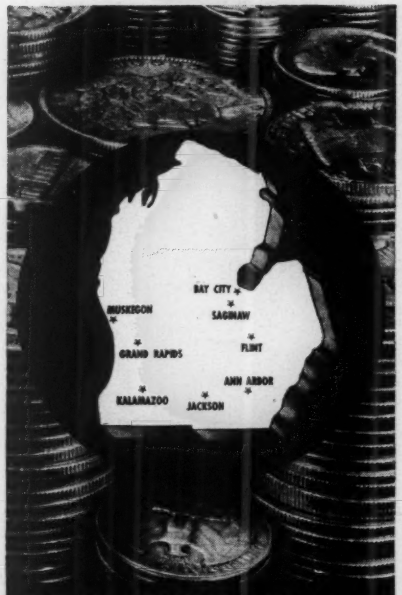
The MOSLER SAFE Company, Dept. USN-5, 320 Fifth Avenue, New York 1, N.Y.

NAME..... POSITION.....

FIRM NAME.....

ADDRESS.....

CITY.....ZONE.....STATE.....



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Kalamazoo Gazette	Ann Arbor News

We've Been Asked:—

ABOUT PLANNING A TRIP ABROAD

- **State Department is flooded with applications of persons who want to travel abroad.**
- **This raises questions of passports, foreign currencies, other needs of travelers.**

With about 1 million Americans planning to go overseas this year, the first question is: How do you go about getting a passport?

There are several ways. You can go to the clerk of any federal court; he is authorized to receive passport applications. Or you can go to any State court that is authorized to naturalize aliens. Or you can apply in person at a State Department passport office. These are located at Boston, Chicago, New Orleans, New York, San Francisco and Washington.

What do you need to get a passport?

First, you need some document to prove that you are an American citizen. Such documents include a birth certificate or baptismal certificate, recorded soon after your birth. Also acceptable are affidavits of parents or other relatives or doctors or others. A naturalized American must show naturalization papers. You also need an identifying witness and two recent small photographs, full face. You cannot use snapshots or newspaper or magazine pictures.

How much does a passport cost and how long does it take to get one?

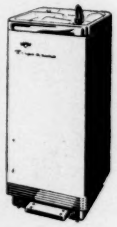
A passport costs $10. The fee is the same for a single person's passport or a joint passport for a man and wife or for a family. It usually takes from two to three weeks to get a passport, sometimes a little longer or a little less time.

Are visas needed to enter other countries?

Sometimes they are, and sometimes not. Tendency in recent years has been to do away with these entry permits. Most countries of Europe no longer require visas for visitors who stay only a few months, though they still are needed in some Far Eastern and other areas. Some Central and South American countries require neither passports nor visas, though tourists cards are called for. Canada does not require passports, and Mexico does not for tourist travel. In such cases, however, identification as American citizens is necessary.

(Continued on page 123)

For Shoppers who get Thirsty



Shoppers enjoy the special "lift" in a clean, cool drink of water. And for stores, there's a special Flash-O-Matic Water Cooler in Frigidaire's complete line.

Frigidaire Water Coolers Dayton 1, Ohio

Built and backed by General Motors

We've Been Asked:

Very few passports are issued for Americans to visit Russia and other Iron Curtain countries. Special approval by the State Department and by governments of these countries is required.

What about reservations?

Reservations are becoming hard to get in some areas. Many steamship lines are heavily booked on European routes for the peak tourist months of June and July, particularly in the cabin and tourist classes. But it sometimes is possible to obtain more expensive accommodations and possibly reservations through cancellations. Air lines, however, still have space available.

Should hotel accommodations be arranged ahead of time?

Foreign-travel agencies say this is desirable, but not absolutely necessary. It is not always possible to get desired hotel quarters in the most popular areas or in biggest cities unless reservations are made in advance. Travel bureaus and transportation lines often make reservations.

Can you take your car?

That is possible, mostly for travelers to Europe. Many Americans take their own automobiles. Some, however, prefer to rent automobiles for European touring. Others buy cars abroad with arrangements to resell them when they are ready to return home.

What about foreign currencies?

In the currencies of some countries, you can gain by exchanging dollars before leaving the U. S. In other cases there is little advantage. Also, some countries limit the amount of their own money that can be brought in by travelers. Some Americans like to take with them a small amount of the money of the country visited, and to carry the rest of their funds in the form of travelers' checks or letters of credit. You can exchange these or dollars for foreign money after arriving in any country.

Must you be inoculated?

American civilians visiting many areas, including most European countries, do not have to be inoculated. But, to return to the U. S. they must have had smallpox vaccinations within the last three years—except when coming back from several nearby areas such as Canada, Bermuda, Bahama Islands, Cuba and the Canal Zone. It is well to get these vaccinations before leaving home. In returning from areas where there is likelihood of certain other diseases, such as yellow fever and cholera, inoculation against these is required. Some other countries also require vaccination of persons arriving from areas where these diseases may be a danger to travelers.

Mimeograph? Spirit? Offset? Azograph?

Which process best fits your individual requirements? That is the key question. For example, do you use thousands of copies of typed material? Do you need bulletins in 1 to 5 colors? Which process is the easiest, lowest cost process with positive cleanliness?

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U.S. OPERATIONS, WORTH BILLIONS, FOUND "UNFAIR" TO BUSINESS

Government Is Urged to Drop Hundreds of Its Enterprises

How Government competes with business—

• Navy operates 10 shipyards, employs 51 per cent of all shipyard workers in U. S.

• Defense Department runs 199 food stores, 450 post exchanges in U. S.; total sales reached 655 million dollars last year.

Other examples of Government enterprises that started as emergency measures—and grew and grew—include a tin smelter in Texas, a railway in Alaska, a TVA fertilizer plant now selling its products in 35 States.

A new Hoover Commission report lifts the lid on federal businesses, tells why they're unfair competition, why they last so long.

Following are extracts from "Business Enterprises—A Report to the Congress" by the Commission on Organization of the Executive Branch of the Government, released May 16, 1955:

Preface

Our economic system is based on private enterprise regulated where necessary to prevent monopoly and to provide for freedom of competition.

The genius of the private enterprise system is that it generates initiative, ingenuity, inventiveness and unparalleled productivity. With the normal rigidities that are a part of Government, obviously, the same forces that produce excellent results in private industry do not develop to the same degree in Government business enterprises.

The Government creates business-type enterprises in economic emergencies, in the emergencies of war, and for the development of projects which are not adapted to private enterprise because of their nature or their magnitude. A very large portion of the Government business enterprises originated in World War I, the depression, and World War II.

• • •

The Government business-type enterprises, except in a few instances, pay no taxes, and pay little or no interest on the capital invested; they seldom charge depreciation and frequently their directing personnel is not included on their payroll. Likewise the "fringe benefits" of Government personnel in most instances are not included in their costs. Moreover, in addition to the fact that most of them pay no taxes, they deprive the Government of taxes which would otherwise be paid by private enterprise if it conducted these operations. Therefore, their claims of financial success are often wholly invalid; and, worse, with the advantages they receive from the Government, they are unfair competition.

• • •

In 1954 the House Committee on Government Operations after an extended investigation through a subcommittee under Representative Cecil M. Harden presented an extensive list of Government enterprises with four volumes of testimony.

The Committee stated:

"Though economy in Government operation may be proved in a given case or the necessity for the Government to operate a service may be proved at one time—it is essential to develop competitive industries as soon as possible and the Government should step out of the picture at the earliest date. Government's continued monopoly in a field may prevent free industry from entering.

"From 1929 to 1948 public wealth has grown 278.5 percent while private wealth has increased only 78.7 percent. . . . In 1929 the public wealth represented only 15 percent of total national wealth, in 1948 the public wealth amounted to 27.3 percent of the total. . . . The trend continued. Is this 'creeping socialism?'"

The Director of the Bureau of the Budget, Mr. Rowland R Hughes, pointed out in 1954 that:

"The Federal Government today operates over a hundred business-type activities. . . .

"For a country which is the citadel and the world's principal exponent of private enterprise and individual initiative, this is rather an amazing list."

Department of Defense Business Enterprises

THE MAGNITUDE OF THE PROBLEM

The total number of Government commercial- and industrial-type facilities within the Department of Defense is impossible to estimate accurately; the total number probably exceeds 2,500. The Government capital invested in these enterprises probably exceeds $15 billion.

• • •

Probably about 1,000 individual facilities could be eliminated without injury to our national defense or any essential governmental function.

• • •

Naval Shipyards

The Department of Defense owns a total of 48 shipyards of which 38 are maintained in the Navy's Departmental Industrial Reserve. The Navy itself operates 10 shipyards, 32 of those in the Industrial Reserve are leased to private parties, and 6 of them are inactive. These shipbuilding and ship repair facilities originally cost $1.6 billion. The 10 active shipyards are part of the Navy's "Basic Industrial Facilities." Their

. . . Navy's shipyards "a destructive intrusion into industry"

primary mission is to render services and logistical support to the active fleet. They engage in construction of new vessels and in ship repair and conversions.

The postwar tendency of the Navy to achieve self-sufficiency in this area is evident from the prewar and postwar employment levels in Government-owned and privately owned shipyards. During the 11 prewar years, 1930 through 1940, the Government employed 36 percent of all shipyard workers in the United States. During the post World War II shipbuilding decline from 1947 through 1950, the Navy employed 44 percent of all shipyard workers. In October 1954, the Navy employed 105,900 persons or 51 percent of all the shipyard workers in this country.

• • •

Today private yards lack the construction and repair activity needed to maintain their capacity, skills, and military mobilization utility.

Due to the distressed conditions of the private shipbuilding industry and the serious competition engendered by Government shipyards, the private industry is weakened as a war reserve. Considering the idle capacity of private shipyards to construct and repair all types of naval vessels, the subcommittee considers that the Navy's operation of all these 10 shipyards represents a destructive intrusion into the private shipbuilding industry of this country.

• • •

Military Reserve Industrial Facilities

The Subcommittee on Business Enterprises discusses at length the problems of 288 large industrial facilities in the Military Departments which were mostly held over from World War II and now constitute the National Military Industrial Reserve. Beyond these, 148 plants have been disposed of to private enterprise on conditions that protect the military interest. The Government investment is about $9 billion, and the maintenance costs of the reserve plants exceed $200 million annually. The subcommittee points out that six of the plants disposed of have paid over $100 million in taxes during a 6-year period.

Some of these plants are competitive with private enterprise; some could be made to contribute to the private enterprise system; some are essential to defense; some must be retained for standby.

• • •

Recommendation

That the Department of Defense, with the aid of the General Services Administration and assistance of outside experts, review these plants as to their value in the light of their condition, future requirements, and possibilities of disposal;

that those Reserve plants which have little value for mobilization purposes should be sold to the best advantage obtainable.

• • •

Commissary Stores

The Department of Defense operates 438 commissary stores with total sales in 1954 of $306 million. This constitutes a chain food store operation of large dimensions.

Of these stores, 199 are in the United States and 239 abroad. . . .

Army commissaries were established by Congress in 1886 to sell food at cost prices to officers and enlisted men. Subsequently, a number of other basic commissary statutes were enacted to provide commissaries where naval and Air Force personnel (and specified civilian employees) could obtain foodstuffs when such goods were not otherwise available. However, commissary operations have continually expanded to the extent that today they present a real problem of Government competition with private enterprise in many metropolitan localities. Congress expressed concern over this in 1949 and every year thereafter by providing that no appropriation would be spent for the operation of commissaries in the United States, unless the Secretary of Defense certified that satisfactory items normally procured from such stores were not otherwise available within a reasonable distance and at a fair price.

But the Department of Defense established the base of fair price by stating that the commissaries should continue where the average total price of all items included in the family market basket as sold by private stores exceeds by 20 percent the average total cost of the same items to the commissaries. Under this rule the operation continues without restriction in many large cities. . . .

The whole operation is at least a vivid illustration of how bureaucracy can expand against the intent of the Congress, accompanied by a failure to include real costs. The real justification of the continued operation of most of these stores is a "fringe benefit" to the military personnel and their families.

The question arises as to whether such subsidized facilities should be continued in competition with private enterprise, or whether increased salary payments to Government military service employees would not be more consonant with sustaining our economic system.

Recommendation

That the Department of Defense, in accordance with the intent of the Congress, confine its commissary stores to localities where adequate or reasonably convenient services are not available and, in all cases, confine its commissaries to use by military personnel except in isolated and overseas locations;

that prices in commissary stores be made adequate to cover all costs; and that the Department of Defense impose and enforce penalties for resale by purchasers of any goods bought at commissary stores.

• • •

Post Exchanges

The Armed Services currently operate approximately 450 post exchanges (including branches) in the United States, with sales of approximately $470 million in 1954 and a payroll of $48 million for the 19,780 civilian employees only. They operate approximately 2,700 post exchanges (including branches) abroad, with sales in 1954 of approximately $540 million. The foreign civilian payroll is about $39 million for 49,935 employees.

• • •

Post exchanges are intended to be completely self-sustaining but in reality they are not. Their ability to sell at lower prices and still accumulate alleged profits results primarily from the indirect subsidy given post exchange operations. They do not operate entirely with nonappropriated funds as they are supposed to operate. For example, the cost of the salaries and allowances of their 1,300 military personnel, is neither borne by the post exchanges nor reflected in their selling prices. The operations are in part tax-exempt; this decreases the potential tax receipts from private industry.

• • •

Recommendation

That the Department of Defense . . . confine its post exchanges to localities where adequate or reasonably convenient

. . . "A subsidy to users of parcel post" in yearly deficit

services are not available and, in all cases, confine its post exchanges to use by military personnel except in isolated and overseas locations;

that prices in post exchanges be made adequate to cover all costs; and that the Department of Defense impose and enforce penalties for resale by purchasers of any goods bought at post exchanges;

that except in isolated areas the post exchanges cease selling luxuries, jewelry, sporting goods, cameras, and other items of high unit value.

* * *

Other Problems

. . . Other serious problems have arisen for the Government, however, in connection with commissary stores, post exchanges, officers' clubs, base restaurants, base theaters, base swimming pools and other similar operations which function on military installations or for military personnel with non-appropriated funds.

Such operations are authorized under Service Regulations, with provision for some control and supervision by a Joint Welfare Board of officers. They are related to the military services, yet are not a part of them. Their organizational structure is insufficiently defined, and their legal characteristics are difficult to classify. Legal problems of many kinds have resulted from their extensive operations, numerous employees and varied widespread dealings with members of the military and the public.

* * *

Business Enterprises in the Civilian Agencies of the Government

* * *

There exists no definitive list of these publicly owned enterprises. The total amount of capital invested in them is unknown, as is the number of their employees, the gross value of goods and services produced by them annually, and the profit or loss resulting to the Government from their operations.

The Office of Alien Property

A large number of enemy alien business enterprises were taken over by this Office under an Executive order of March 11, 1942. Under the War Claims Act of July 3, 1948, the proceeds resulting from the disposal of enemy property are to be applied to payment of the war claims.

* * *

The operation of these enterprises is in competition with private enterprise. However, there appears to be no other alternative.

Either the entire or a substantial interest was taken over in 434 business enterprises by the United States. Of these, 333 were placed in liquidation, and of these 70 were still being liquidated as of July 1954. There were 100 domestic business enterprises which were continued as active concerns, and 85 of these have been disposed of, leaving 15 being actively carried on as of December 15, 1954.

* * *

A subcommittee of the Judiciary Committee of the Senate was established to examine and review the Administration of the Trading with the Enemy Act. Their final report in 1954 concluded:

"The subcommittee has determined that, without reference to any particular case, the administration has been efficient and financially sound *within the* restrictive limits of Government operation.

"Testimony adduced before the subcommittee indicates that the operation of business enterprise and property *under Government control is inefficient and completely lacking in financial ability to compete with private enterprise.*" (Emphasis supplied.)

Energetic efforts are now in progress to dispose of the remaining Government-business enterprises, and the Commission commends these efforts.

* * *

The Postal Savings System

The Postal Savings System was created by the Congress in June 1910 largely to meet the situation resulting from the 1907 financial crisis with its attendant bank failures and to provide savings facilities in bankless locations. . . .

* * *

The original idea of service to bankless towns has not worked out. . . .

* * *

Recommendation

That the public be informed that after some reasonable period, say 12 months, no further deposits will be received by the Postal Savings System and that potential depositors be offered the more remunerative United States savings bonds.

* * *

Parcel Post

The parcel post system has had a long and tangled legislative history since it was established in 1912. Congress always has been concerned with the possibility that it might compete with private enterprise. . .

* * *

Congress in at least two ways sought to minimize the potentiality of detrimental competition resulting from the service, first, by limiting the size and weight of packages, and second, by providing that the charges for the service should be sufficient to cover costs.

* * *

Although Congress required the Postmaster General to submit rates that would cover the total cost of the service, deficits have still continued. The deficit increased from $99,011,000 in 1949 to $131,141,000 in 1951 and to $151,497,000 in 1953. This represented about 24 per cent of the cost of the service. The deficit for 1954 is estimated to be about $29,218,000.

* * *

This failure of parcel post rates to cover the full cost of service constitutes a subsidy to the users of parcel post. . . .

* * *

Recommendation

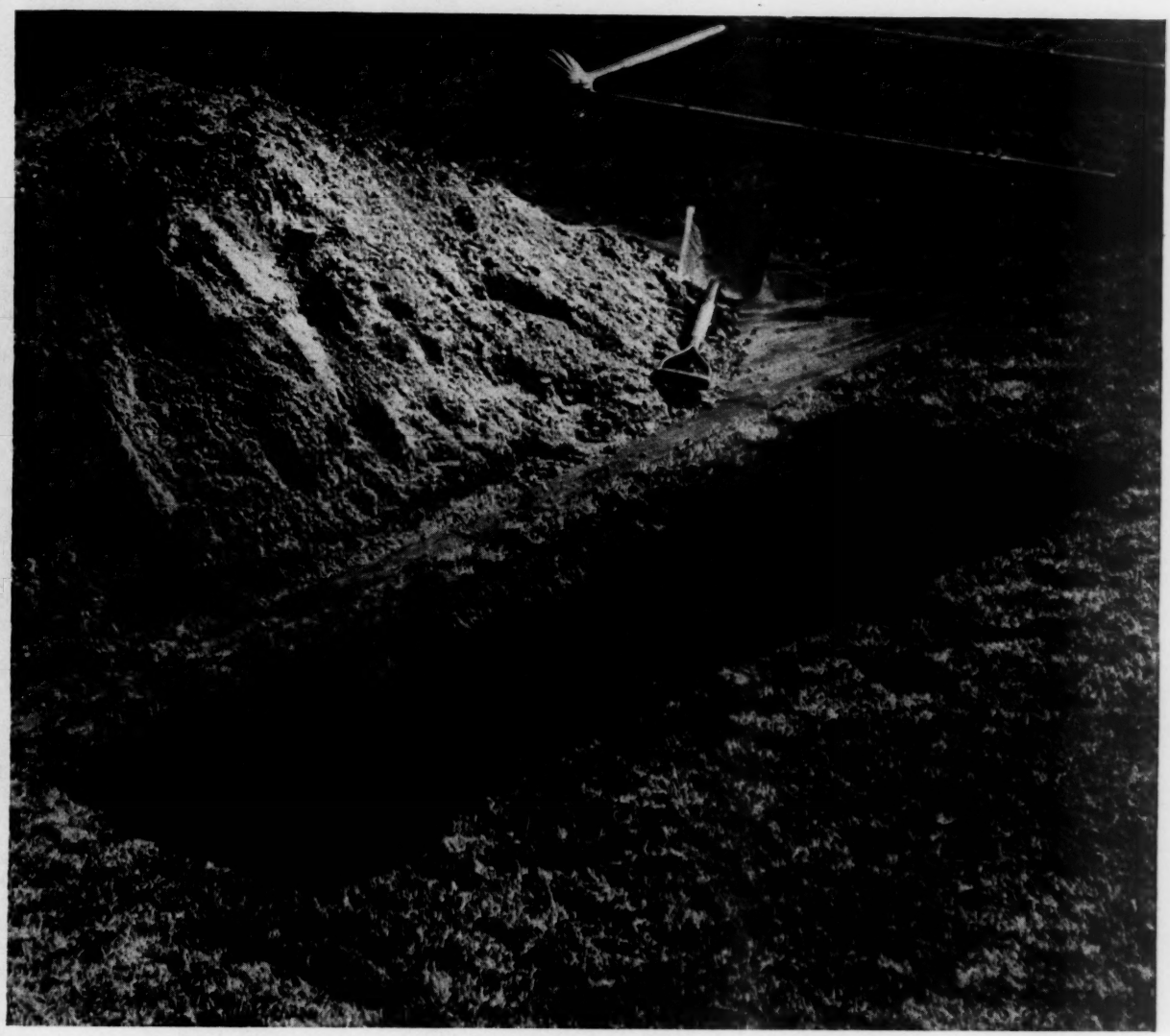
That the Postmaster General shall, if the current rates do not cover all costs of the parcel post services (including indirect costs), seek a further increase of rates.

* * *

The Alaska Railroad

The Railroad, the construction of which was authorized by Congress in 1914, reaches from Seward to Fairbanks.

(Continued on page 128)



Dig...that crazy driver!

Speeding, jumping lights, cutting corners, passing on curves, mixing driving with drinking . . . he needs his head examined. He's going places, all right . . . without looking where. He and his kind will take the lives of thousands of other drivers, helpless passengers and pedestrians this year. It's crazy . . . and unnecessary. Use a little courtesy. Stick to the rules of the road. You'll live longer. Remember: *The wheel of your car is a wheel of chance. Handle it with care.*

MARYLAND CASUALTY COMPANY

Baltimore 3, Maryland

Poster size reprints of this advertisement will be mailed on request.

. . . One agency "sets example of retirement" from competition

It is 512 miles in length and probably represents a total expenditure by the Federal Government of more than $160 million. In addition to the Railroad itself, this agency also operates a steamer service on the Yukon River, several hotels and restaurants along the rail line, as well as commissary facilities.

• • •

The purpose of the line, as stated by Congress, was " . . . to aid in the development of the agricultural and mineral or other resources of Alaska, and the settlement of the public lands therein," as well as to promote national defense. In 1953, 57 percent of the carloadings were for military shipments.

• • •

From its inception to 1947, the railroad incurred a loss of $14,281,000 without any allowance for depreciation. The profit in 1954 was $742,123, without making any allowance for interest on the investment.

• • •

A Department of Interior investigation in 1953 reported that with certain improvements and greater efficiency, the line should earn a profit of $2 million annually, apparently without any increase in rates.

• • •

The Railway with its history of losses cannot be disposed of to private enterprise. We can only express the hope that an increase in rates and the continued vigorous efforts of the Department of the Interior since 1953 will improve its earnings.

Helium

In 1918 when lighter than air aviation was considered of high military importance, the Federal Government contracted for helium production and created facilities for its processing. Since 1938 the Government has had a complete monopoly. Large-scale production began in 1921 with one plant. Four more plants were built during World War II, and in 1954 Congress appropriated $6 million to build another plant. Prior to this appropriation, the investment in this business was about $17 million.

• • •

Recommendation

That the Department of the Interior resurvey all possibilities of leasing or selling the helium production facilities as recommended by the Department of the Interior Survey Team in 1954, and still protect strategic requirements.

Titanium

The Bureau of Mines began research into the production of titanium in 1938 and built a pilot plant at Boulder City, Nev., in 1944. In 1952, for military needs, a larger plant was constructed at a cost of $500,000 to produce one ton a day. The titanium concentrates have proved of great importance for pigments and especially as a hardening alloy. The plant was closed in September 1954. As a result of the Bureau's pioneering work, private industry began production and now four corporations are producing under Government contracts for a total annual production of about 21,600 tons of sponge metal. The supply is still short of anticipated military requirements but private industry is rapidly increasing its production. The Bureau deserves the highest credit for its research and development.

Zirconium

Research work by the Bureau of Mines developed a process for the production of zirconium and a plant was erected by the Bureau at Albany, Oreg., in 1947. It has produced some 250,000 pounds annually, primarily for the Atomic Energy Commission.

The metal has proved of great value in the medical, electronic and chemical fields.

A number of private concerns have now undertaken production and the Bureau has announced that its enterprise will be closed on June 30, 1955. Again the Bureau has contributed a great service to the country.

Shale Oil

For some years the Bureau of Mines conducted research into methods of extraction of petroleum from the oil shales. The United States possesses an enormous number of such deposits and approximately 90 per cent of the most prolific beds belong to the Government. Shale oil production has been carried on for many years abroad but in the end was unsuccessful in competition with liquid petroleum.

• • •

Recommendation

That the Bureau of Mines continue the extraction of crude oil from shale only until cost data under its new methods are fully available. When this data has been established, a decision should be made as to the continuation or disposal of the facilities.

• • •

BUSINESS ENTERPRISES IN THE GENERAL SERVICES ADMINISTRATION

• • •

The General Services Administration conducts a multitude of service activities. In part, these can be performed by contracts with private enterprise. The policy of the present Administrator is to contract out all possible services and thereby set an example of Government retirement from competitive business enterprises. . . .

• • •

Several examples will illustrate the nature and the value of these agreements made by the General Services Administration.

A recent agreement made by the Washington, D.C. Regional Office provides for washing Government-owned passenger automobiles and light trucks at $.90 each whereas the General Services Administration had been charging customers $1.25 for similar work done under force account. In February 1954, a trial contract was made in Washington with a private trucker for the delivery of warehouse stocks to agency offices. The contract provided for a charge of $5.60 per ton as compared with a cost of $6.65 per ton by General Services Administration employees and equipment. On its expiration, a new contract was made at an even lower price, $4.95 per ton. Under this current agreement about 1,400 tons are being delivered monthly with an annual saving of $28,560. In the Washington area there are now 24 contracts providing for washing of windows in 66 Government buildings. The cost to the Government is $74,000 as against an expenditure of $102,000 when the General Services Administration directly performed this same work.

(Continued on page 130)

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Recently a contract was let with a private concern for cleaning the General Accounting Office Building. The cost under this contract is $22,978 per month as against a previous cost to the General Services Administration of $26,506 for cleaning by Government employees.

° ° °

MISCELLANEOUS BUSINESS ENTERPRISES IN THE GOVERNMENT

Printing

The total printing expenditures of the Government are estimated at $370 million for 1954. . . .

The Congressional Joint Committee on Printing . . . as of July 1, 1954 had authorized 44 departmental plants and 286 field plants. There is little factual information available about their operation. Many of these plants are essential for security and other reasons. There is no central point in the executive branch and where attention is given to the need for usefulness of these plants, and a determination made as to the potential economies from private printing.

Recommendation

That the Bureau of the Budget study the feasibility of a central control of executive department printing plants, and, taking all items of cost into consideration, make recommendations to the congressional committees as to the printing which could be reduced or eliminated and the printing which might be better placed with private printers, or with Federal Prison Industries, Inc.

The Texas City Tin Smelter

The Texas City Tin Smelter was a necessary enterprise begun during World War II. The tin sources in the East had been captured by the Japanese and there was no smelting for South American tin ores in the Western Hemisphere. South America was the only source of tin in this hemisphere, as there are no substantial deposits known in North America. The Texas City smelter property, plant, and equipment cost about $13,200,000 and the current depreciated book value is $6,500,000.

The smelter has produced about 33,000 tons of tin annually. In recent years the metal has been added to the strategic stockpile. The stockpile is now estimated at a 5-year war supply.

The smelter is uneconomical for many reasons and the loss of 1954 was $1,504,233. As there is no reason for continued operation, President Eisenhower on January 2, 1954, recommended that it be closed on June 30th of that year. The Senate passed on April 25, 1955, a concurrent resolution, now in the House of Representatives, stating that it is the sense of Congress that the smelter should be continued until June 30, 1956. The resolution requests the President to report to Congress on feasible methods of maintaining a permanent domestic tin-smelting industry.

Tennessee Valley Authority Fertilizer Program

During World War I hydroelectric plants for the production of nitrogen for war use were constructed at Muscle Shoals, Ala. In 1933, these plants were transferred by the Congress to the Tennessee Valley Authority to be used in the production of fertilizers.

The view of the Congressional minority was expressed in 1933 as follows:

"If fertilizer is manufactured in commercial quantities it would interfere with the business of more than 800 companies employing thousands of men . . . the United States Government is at present in competition with private enterprise in 41 lines of activity. We believe that this tendency must be checked in the interest of business recovery." (H. Rept. No. 48, 73d Cong.)

° ° °

Over the years the enterprise has steadily expanded in competition with private enterprise until in 1954 sales totaled $19.8 million of phosphate and nitrate fertilizers. The 360,000 tons sold comprised about 4 per cent of the national production. Sales were made in 35 States, and this is no longer a regional enterprise, as originally contemplated.

The Authority, being tax exempt, does not in its cost include an equivalent of the heavy taxes, which private industry pays, and certain other costs. Whether adequate depreciation, interest on the investment, amortization, and fringe benefits to staff are included in costs could only be properly determined by the Comptroller General. There is no longer justification for the research activities as these may be more appropriately conducted by the Department of Agriculture and the industry.

The Government has disposed of its other World War II nitrogen and other chemical plants.

Recommendation

That the Tennessee Valley Authority discontinue all chemical research;

that the fertilizer research facilities be transferred to the Department of Agriculture; and

that the Congress instruct the Comptroller General to determine what the real costs of Tennessee Valley Authority fertilizer production are; and that thereafter the price of such fertilizer include all costs, direct and indirect, including the loss of taxes which could be obtained from private industry.

° ° °

BUSINESS ENTERPRISES IN THE FIELD OF LENDING, GUARANTEEING, AND INSURANCE

The Commission Report on Lending, Guaranteeing, and Insurance activities contains a full discussion and recommendations as to business enterprises in that field. . . .

° ° °

The total recoveries to the Treasury from the actions recommended in that Report of this Commission would total about $4.9 billion.

Savings

It is impossible to estimate dollar amounts of savings which would result from the Commission's Recommendations for reducing competition between commercial-type Government and private enterprises. Far more important than the dollar savings are the beneficial results to our economy from eliminating Government competition to the greatest practicable extent. . . . The private enterprise system is the basis of the military strength of this Nation and of its unparalleled standard of living. Further strengthening of the private enterprise system is the best way to further these objectives.

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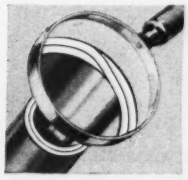

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Progress Report 1954

Safeway's Story in Figures...	1954	1953
SALES	$1,813,516,636	$1,751,819,708
Income from dividends, interest and other sources	226,002	283,199
Cost of merchandise—paid out to farmers and other suppliers of goods and expended for manufacturing and warehousing	1,531,502,208	1,484,147,500
Total operating and administrative expenses, other charges and provision for income and excess profits taxes	268,256,659	253,410,675
NET INCOME	13,983,771	14,544,732
Dividends to preferred stockholders	1,915,397	1,914,418
Net Profit applicable to common stock	12,068,374	12,630,314
NET PROFIT PER SHARE OF COMMON STOCK based on average number of shares outstanding during the year	3.52	4.31
Dividends to common stockholders	8,336,264	7,090,916
Dividends per share to common stockholders	2.40	2.40
Number of new stores opened during the year	44	16
Number of stores closed during the year	83	71
Number of stores in operation at end of year	1,998	2,037

Quick Facts:

Safeway set a new sales record in 1954. Total net sales showed an increase of $61,696,928 over 1953.

Due to the Company's decision to meet trading stamp competition head-on throughout its operating territory, net profit was slightly less than earned in 1953.

All of the Company's 4½% Convertible Preferred Stock was called for redemption April 1, 1954. All outstanding Convertible Preferred was converted into common stock.

April 21, the Company issued and sold 267,000 shares of new 4.30% Convertible Preferred Stock. Proceeds from the sale were applied on short term bank loans.

Uninterrupted cash dividends have been paid on all outstanding shares of Safeway's common and preferred stocks since the Company's incorporation in 1926.

1954 was impressive from the standpoint of Safeway's construction program. 44 new retail stores, 39 in the United States and 5 in Canada were completed.

74 retail stores were under construction and should be completed by July, 1955. Plans and specifications were prepared or in the process of preparation for 94 retail stores. These stores should be in operation before the end of 1955.

Excellent relations existed between Safeway, its employees and their union representatives during 1954. No serious labor controversies or work stoppages took place during the year and none existed at the year end.

Liberal group insurance, retirement and profit-sharing programs are available to Safeway employees.

Lingan A. Warren
President

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PLUS & MINUS
Latest Indicators of Business Activity

The consumer, who buys two thirds of all the U. S. economy produces, has stepped up his spending rate to a new high. His confidence is the strongest force in the present expansion of business activity.

Retail-store sales, shown in the top chart, rose in April to a rate 35 per cent above that in the first quarter of 1950, shortly before start of the Korean war. Supporting the consumer's heavy rate of spending was an after-tax income nearly a third larger than in the first quarter of 1950.

In dollars, retail-store sales were at a rate of more than 182 billions per year in April, 1 per cent above March and 7 per cent above a year ago. Sales exceeded the rate in December, the previous high, and were 5 per cent above February, 1953, the best level before the 1953-54 recession.

Automotive sales led all others, with a 20 per cent gain over April, 1954. The total includes new and used cars, tires, batteries and accessories.

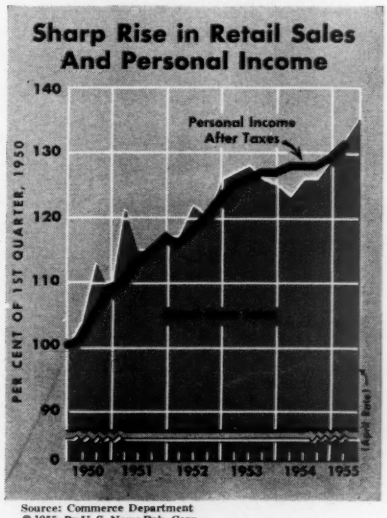
Gasoline service stations reported April sales 5 per cent above a year ago. The number of cars and trucks is growing rapidly. Travel distances are increasing as families move to the suburbs. Vacation travel is gaining.

Food stores reported April sales 9 per cent above a year ago. Population is rising nearly 2 per cent each year. New methods of packaging and processing foods add to prices.

Strength of retail demand for goods shows up also in furniture and appliances, where sales were 7 per cent above April, 1954; in building materials, up 7 per cent; general merchandise, 6; drugs, 4; apparel, 3.

Department-store sales edged up to 124 on the indicator in the week ended May 7. That compares with an average of 119 in April, highest for any month since the scare-buying waves of 1950 and early 1951, and 7 per cent above a year ago.

Sales of luxury goods, a symptom of prosperity, are soaring at department stores. In March, sales of furs were



Source: Commerce Department
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85 per cent above March, 1954. There were gains of 55 per cent for jewelry and watches, 29 for silverware and clocks, 21 for candy, 14 for toys, games, sporting goods, cameras.

Luggage sales, 35 per cent above a year ago, suggest the public will do more vacation traveling this summer.

Homefurnishings are in heavy demand. Appliance sales in March were 37 per cent above a year ago. Rug sales were up 13 per cent, furniture 10.

Bargain hunting is less determined than a year ago. Basement sales were 6 per cent above last year, while main-store sales were up 10 per cent.

Clothing purchases, often postponed when family budgets are pinched, are showing fair-sized gains—11 per cent for both men and women.

Installment credit, now widely used to buy jewelry, furs, rugs, as well as autos, furniture and appliances, is giving a strong boost to sales. In March, outstanding installment credit was increasing at a rate, seasonally adjusted, of nearly 6 billions per year. The entire increase in personal income since the recovery began has been less than 9 billions per year.

The economy as a whole is humming.

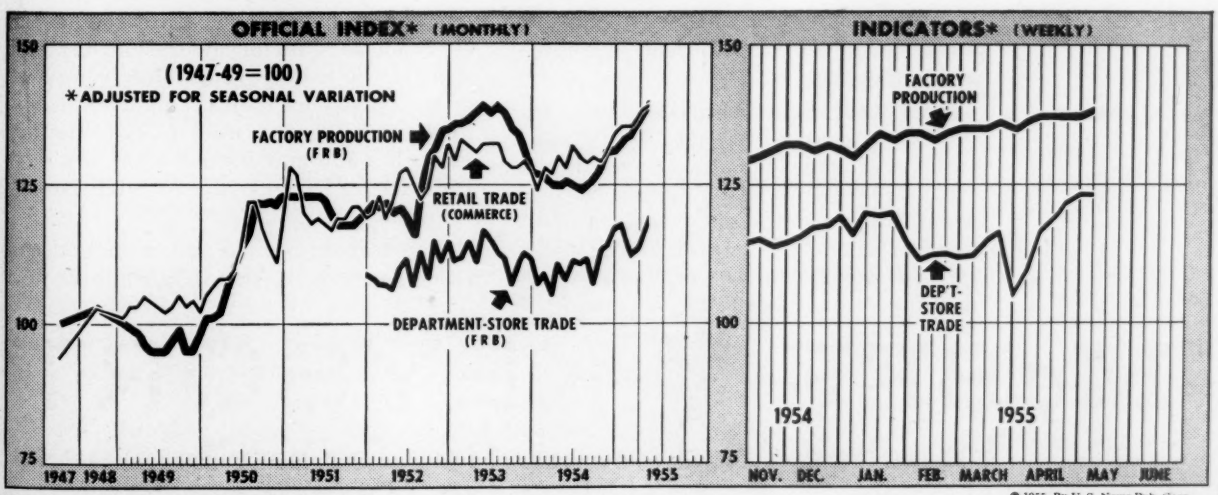
Factory output, at 138 on the indicator, is 1 per cent below its peak of July, 1953. Steel production is at a record high, auto output almost so.

Appliance manufacturers shipped about a fifth more cooking stoves and home freezers in the first quarter than a year ago, about a quarter more washing machines and vacuum cleaners. Two thirds more dryers were shipped.

Insured unemployment dropped to 1,399,000 in the latest week, down 75,000 to the lowest in 18 months.

Carloadings, 14 per cent above a year ago, are the heaviest since 1953.

Pace of the business rise may slacken in months just ahead. There can be little downturn, however, so long as consumers are in their present spending mood.



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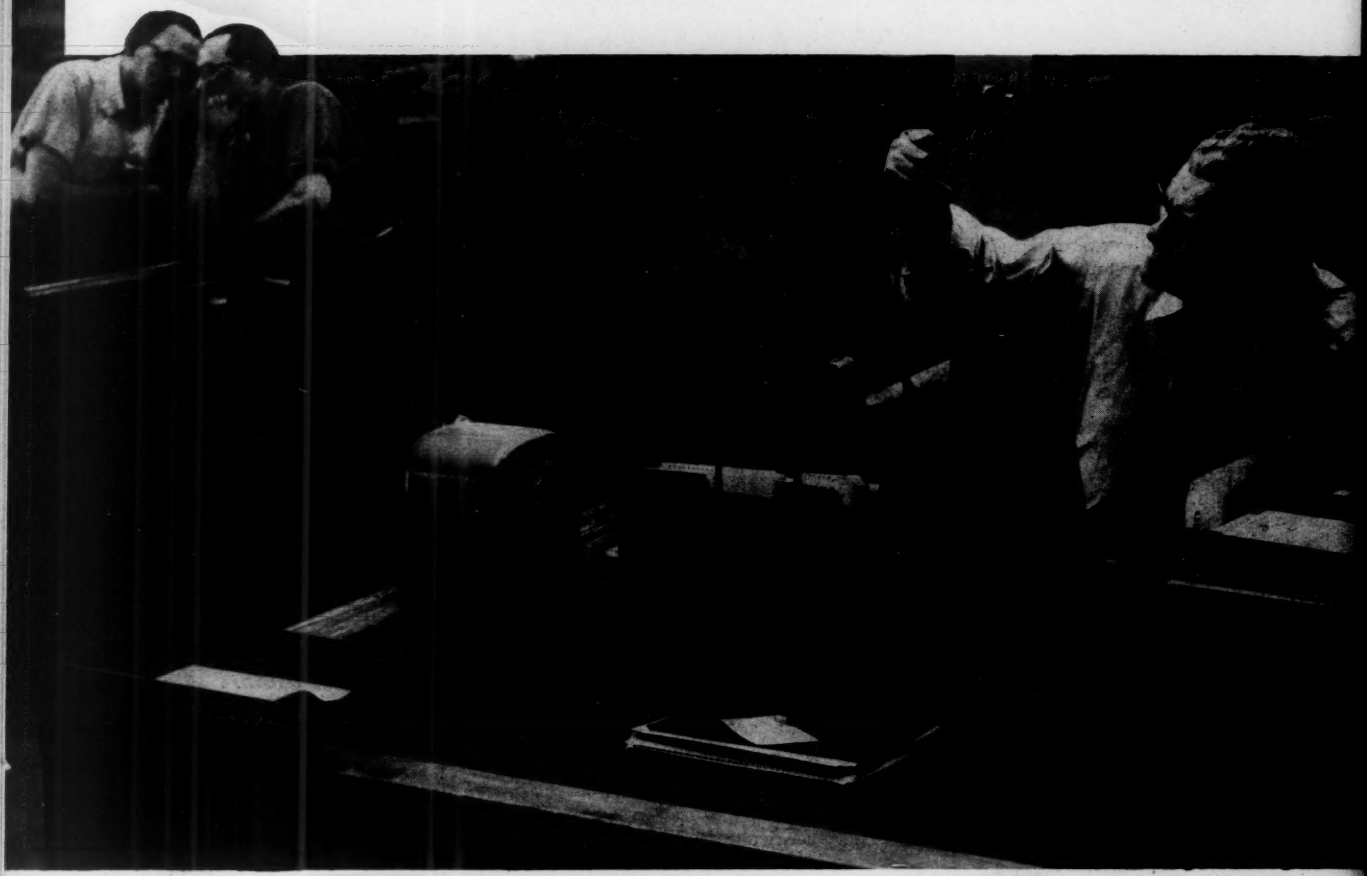
"Down time's" double, and he's in trouble!



Alas, poor foreman! The plant manager is really blowing up. And so soon, too! . . .

For the idle man-hours he's beefing about were chalked up only yesterday. Yet the whole story was on his desk today . . . thanks to the speed of Keysort punched-card accounting.

Time was when below-standard performance went undetected for weeks, while overhead leaped upward like a gazelle. Slowly-processed figures were to blame. But now Keysort gives the plant manager a detailed summary of the previous day's labor costs by 2 P.M. each afternoon. Knowing the facts, he can move to correct wasteful in-plant situations *on time* – before they turn into profit drops.

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Business spending is expected to keep general activity high later this year, after auto production and home construction taper off.

Confidence of businessmen, now evident on all sides, is to be translated into dollars-and-cents outlays as the year wears on.

That's the considered judgment we get from New York financial circles.

Investment in plant and machinery now is adding to factory orders.

Machine-tool companies have had growing orders since last December.

Industrial machinery, for plant installation, is being ordered in larger volume, too. Even farm machinery shows signs of picking up.

These industries engaged in making heavy equipment are expected to boost their volume of output during the second half of the year.

Significance of this trend, as Wall Street sees it, is that a downturn in automobile output, and probably in home construction will not produce a serious setback in general business activity during this calendar year. Steel mills are counting on high operations through September, at least.

Home construction may be beginning to slow down even now.

Housing starts in April did not rise as much as usual for the month.

April starts are reported at 127,000, up from 117,000 in March.

Annual rate of starts, seasonally adjusted, was 1.3 million in April, compared with a rate of 1.4 million in March.

That decline may be only temporary. But, again, it may mark a trend. Officials caution that you can't read too much into one month's figures.

A slower pace in home building would not displease official analysts. They have thought for some time now that the housing boom may overreach itself. A more gradual rate of building would be regarded as healthier.

You can detect several signs of concern over the building boom.

Vacancies in apartments are going to be counted by the Census Bureau.

Census survey will center in large apartment houses--those having 100 or more apartments. Apartment owners will be questioned this month.

Purpose of the survey is to determine the supply of dwelling units in relation to demand for them. Information on this has been sketchy.

Federal housing officials also are told to keep a watch on housing in their areas, to see that not too many new homes get mortgage guarantees.

Basic idea is to keep building on an even keel, to try to restrain any overoptimism that may push construction to heights that cannot be supported.

Another spur to activity is found in demand from abroad.

(over)

Written for the issue of May 20, 1955, Volume XXXVIII—No. 20
U. S. NEWS & WORLD REPORT

Exports are in a strongly rising trend at the present time.

Sales to other countries, outside of military shipments, came close to 3.5 billion dollars in the first three months of the year.

Gain over a year ago in private exports amounts to a whopping 22 per cent.

Imports during the same period came to about 2.7 billions, a gain over the same period of last year of 8 per cent.

Rise in imports reflects the rising production in the U.S.

Machinery industry is benefiting from rising exports as well as rising domestic demand. Shipments to overseas markets advanced in March for mining machinery, construction and excavating machinery.

Export demand for autos and trucks also is rising. Other gainers are railroad equipment, tractors and tractor parts.

Increased sales abroad are reported for grains, cotton, chemicals. There has been a decline, however, in shipments of cottonseed oil.

Export demand acted as a cushion last year for the dip in domestic output. This year it promises to provide a strong prop for the boom.

Rise in imports results mostly from higher U.S. demand for raw materials.

Raw wool and long-staple cotton jumped sharply from February to March.

Import gains also are noted for tea, cocoa beans and sugar; for paper-base stock and newsprint, crude petroleum, crude rubber and copra.

The American people, on the whole, are in a strong financial position.

Total financial assets of individuals are estimated by the Securities and Exchange Commission at 398.3 billion dollars at the end of 1954.

Assets include holdings of currency and bank deposits, shares in savings and loan associations, private and Government insurance, U.S. savings bonds and other federal securities, State and local government securities.

In addition--and not included in the 398.3 billion total--are holdings of some 280 billion dollars' worth of corporate securities.

Against these assets are an estimated 90 billions in liabilities, which consist of 65 billions in mortgage debt, 25 billions in consumer debt.

Net equity of individuals is put at 308.4 billions. The figures suggest that, on the whole, the American people are highly solvent.

Gain in financial assets last year, excluding corporate securities, came to 18.4 billion dollars. Increase in liabilities was 9 billions. This tends to explain why people are so willing to spend money this year.

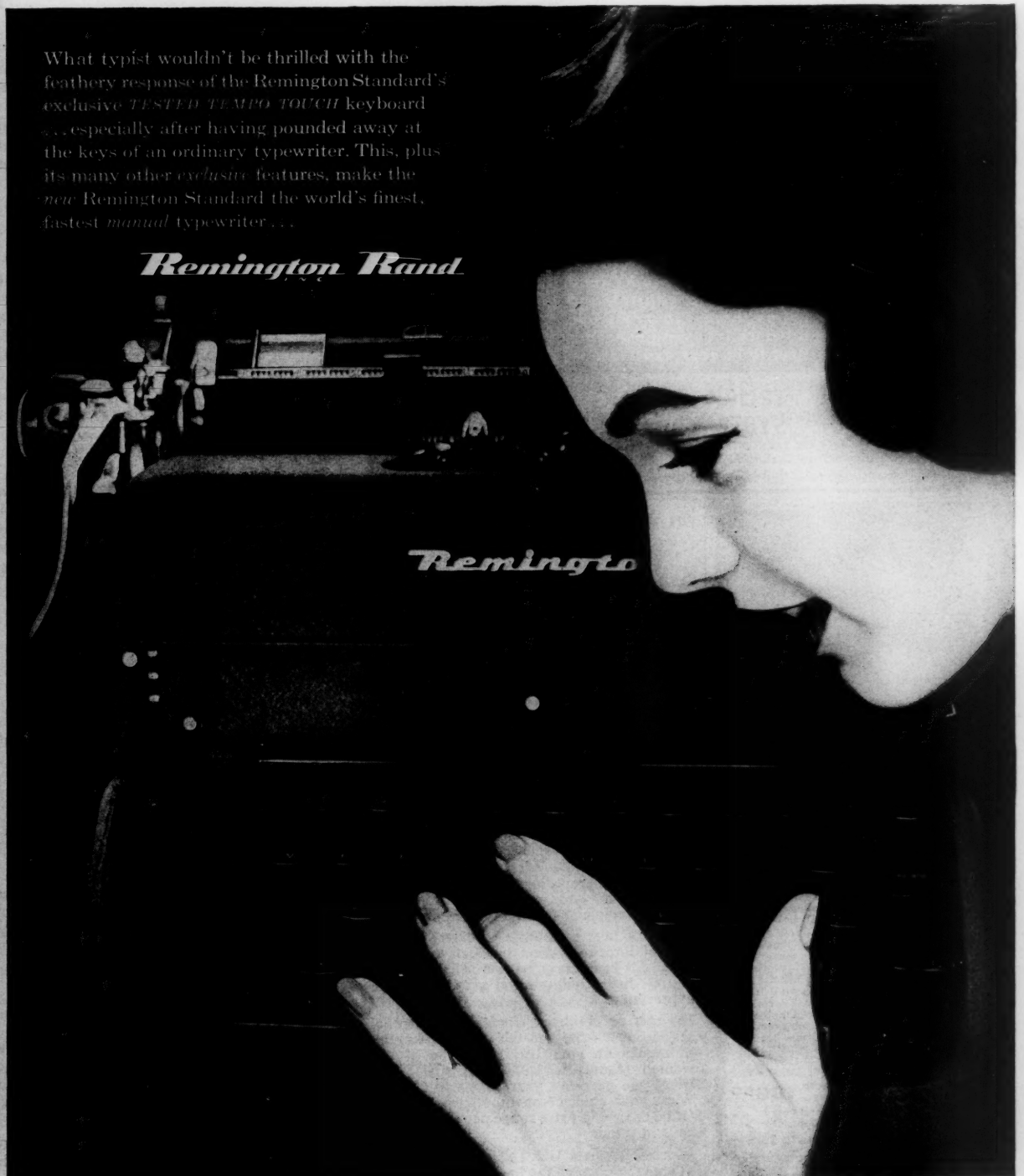
Savings in liquid form during 1954 are put by SEC at 11.7 billions. That compares with 11.8 billions in 1953 and 13 billions in 1952.

Liquid savings include bank deposits, currency, Government and corporate securities, savings and loan shares, Government and private life insurance.

Checking accounts showed a sharp gain in 1954--2.7 billion dollars. On balance, people sold Government securities, except for savings bonds, and they borrowed to make purchases of corporate stocks and bonds.

Net borrowing was heavy on mortgages, but relatively light for consumer goods. Perhaps that explains the sharp rise in consumer debt in this year.

Touching Experience!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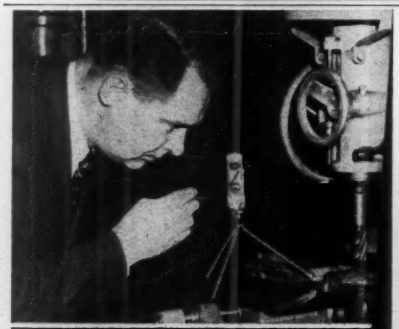

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NEWS-LINES

WHAT YOU AS A BUSINESSMAN ☑ CAN and ☒ CANNOT DO

as a result of recent court and administrative decisions

☑ **YOU CAN** sometimes give your employes a pay raise just before a ***collective-bargaining election*** without violating the Taft-Hartley law. The National Labor Relations Board says that it was all right for an employer to grant wage increases in accordance with a merit-raise program established before a union organizing drive began.

* * *

☑ **YOU CAN** treat as a ***capital gain*** the part of a partnership's net assets that you, as a partner who contributed services and skill for your share of the business's capital, receive upon liquidation of the firm. A court of appeals holds that a taxpayer, in such a transaction, had a capital gain, rather than ordinary income, for tax purposes.

* * *

☑ **YOU CAN** sometimes take an ***income tax deduction*** for your contribution to a committee organized to bring a convention to the locality where you are engaged in a trade or business. The Internal Revenue Service rules that such a contribution is deductible as a business expense, provided it is made with a reasonable expectation of a financial return to the contributor.

* * *

☑ **YOU CAN** now get a prehearing conference with the ***Federal Trade Commission*** to simplify, clarify and possibly dispose of issues in a case that you have pending before the agency. This is one of the provisions in FTC's revision of its rules of practice.

* * *

☑ **YOU CAN** perhaps obtain additional ***copper-base alloy scrap*** for export to West Germany. The Bureau of Foreign Commerce adds 3,000 tons of the metal to Germany's quota in the present second quarter.

* * *

☒ **YOU CANNOT** negotiate a ***Government contract*** directly where advertising for bids is called for by law. The Comptroller General rules that a Government agency has to advertise for bids on contracts for supplies and services even if it can get better prices by negotiating the contracts.

☒ **YOU CANNOT** keep ***economic strikers*** from voting in an election in your plant if they have not been discharged or replaced. In denying a review, the U.S. Supreme Court leaves in effect a lower-court decision that even misconduct does not bar such strikers from voting in an NLRB election.

* * *

☒ **YOU CANNOT** safely fire a union official for breaking a company rule when other employes do the same thing without penalty. The Labor Board finds that an employer was guilty of Taft-Hartley ***discrimination*** when he discharged a union president for abuse of rest-period privileges, while keeping other workers who had similar violations.

* * *

☒ **YOU CANNOT** take an income tax deduction for the cost of building a roadway in a rental ***real estate subdivision.*** The Internal Revenue Service rules that such an expenditure is not deductible as an operating expense. Instead, says IRS, the cost of the road must be capitalized for tax purposes.

* * *

☒ **YOU CANNOT** as a ***coal-mine operator*** who does business with the Government, fail to comply with the safety and health provisions of the Walsh-Healey Act. In making this ruling, the Department of Labor says that the Federal Mine Safety Code will be used in determining the safety and health duties of mine operators. A mining company lost its argument that these Walsh-Healey provisions did not apply to it.

* * *

☒ **YOU CANNOT** treat as a capital gain the amount that you receive from a corporation, of which you were part owner, under an agreement that the company pay you over a period of time a percentage of its profits in exchange for transfer of an ***auto franchise.*** A court of appeals finds that this amount is taxable as ordinary income.

* * *

☒ **YOU CANNOT,** as a ***shipowner,*** legally refuse to pay a seaman who leaves your vessel after it is moored at its last port of call. A federal district court says that such a seaman is not a deserter and is entitled to his wages, even though he may have been guilty of misconduct other than desertion.

Conclusions expressed in these paragraphs are based upon decisions and rulings of courts and Government bureaus. In making their decisions, courts and bureaus consider many facts which, for reasons of space, cannot be set forth in detail. U. S. NEWS & WORLD REPORT, *on written request, will refer interested readers to sources of this basic material.*

Census Bureau Revisions Emphasize *Florida's* Growth

...manpower for business and industry

Most recent Bureau of Census population estimate revisions show that more than 2,600 people from other states are moving into Florida EACH WEEK. This group embraces a great variety of skills and knowledge, enhancing Florida's manpower pool and exciting market opportunities.

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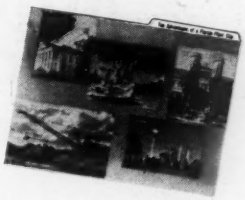
EDUCATION AND CULTURE • LABOR
TRANSPORTATION • WATER



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WHERE BIG MONEY COMES FROM

Mostly Investments—Salaries Play a Small Part

"How to Make a Million" could be the title of a new Government report. But most people, reading it, would be disappointed.

Report shows, in general, how other people have made a million dollars in a year—but not precisely how to go about it.

Following is the picture of where people get their money.

An old question—how could anybody make a million dollars a year—is cleared up by an official report.

Only 148 individuals managed to make a million dollars in the latest year officially reported. They did it by investment. Other high-bracket people, too, got their income largely from dividends and the sale of assets at a profit—not from employment.

For most individuals, a million-dollar income is difficult to imagine, much less achieve. You get an idea of how it's done, though, in "Statistics of Income," just issued by the Internal Revenue Service.

The figures show only income reported for tax purposes and, thus, exclude some income—tax-free pensions and annuities and interest on tax-exempt municipal bonds, for example. Also, some people's incomes are understated as a result of the fact that only one half of net long-term capital gains need be reported. These incomes, moreover, are for the year 1952—yet they reveal patterns that are slow to change.

The official report does not explain how you can make a million dollars. It does show how other individuals manage it. "Individuals," by the way, means individual persons or married couples filing tax returns jointly.

Lending of money at interest—which might seem like a good method—is not the way to make a million. Interest—at least taxable interest—goes mainly to institutions. Rents and royalties, too, are making few millionaires.

Self-employment in business or in the professions likewise offers no obvious path to a million—profits in self-employment generally are rather modest. Partnerships seem to do better.

You get, in the chart on these pages, a part of the picture of where people acquire their money.

The millionaires. The 148 individuals in the over-a-million bracket averaged just under 2 million dollars of taxable income apiece. That was before income taxes, of course. After paying their U. S. income taxes, they had an average of $737,000 left—with State and local taxes still to be paid.

Of these 148 people with incomes of more than 1 million dollars, 103 were drawing salaries, and among them they averaged a surprisingly low $43,000 a year, including bonuses.

These people fared even less well in self-employment ventures. Of 74 engaged in business activities for themselves, 15 had net profits—an average of $302,000

HOW BIG INCOMES ARE MADE

(sources of income reported for tax purposes)

Incomes above $1,000,000 a year

148 persons or couples

Income From	Per Cent Of Total
Dividends	45.7
Capital gains	25.6
Estates, trusts	22.5
Rents, royalties	3.2
Salaries, bonuses	1.5
Other sources	1.5

Incomes of $500,000-$1,000,000

416 persons or couples

Income From	Per Cent Of Total
Dividends	36.2
Capital gains	31.2
Estates, trusts	17.6
Salaries, bonuses	6.3
Business, profession, partnership	3.6
Rents, royalties	3.3
Other sources	1.8

Incomes of $100,000-$500,000

17,313 persons or couples

Income From	Per Cent Of Total
Dividends	29.6
Salaries, bonuses	21.9
Business, profession, partnership	18.5
Capital gains	14.0
Estates, trusts	9.9
Rents, royalties	3.3
Other sources	2.8

Incomes of $50,000-$100,000

65,403 persons or couples

Income From	Per Cent Of Total
Salaries	32.6
Business, profession, partnership	30.2
Dividends	18.5
Capital gains	6.5
Estates, trusts	5.7
Interest	2.4
Other sources	4.1

And incomes of $5,000-$10,000

10,617,456 persons or couples

Income From	Per Cent Of Total
Wages, salaries, bonuses	87.7
Business, profession, partnership	8.5
Dividends	1.2
Other sources	2.6

each. The 59 others showed losses on their business operations, losses averaging $127,000 each. Hobby farming and hobby businesses account for a substantial part of that.

As business partners, these individuals did somewhat better. Still, more reported losses than gains.

To find out where the million-dollar-or-over people got their money, you have to turn to the investment columns.

Most of them, 137 of the 148, received dividends—an average of $965,000 each in the year reported.

Virtually all, too, were engaged in buying and selling "capital assets." On these deals, 34 individuals reported losses. But 111 reported gains averaging $667,000 each, those gains, of course, being understated according to tax rules.

Only other major source of taxable income for this upper-bracket group is estates and trusts—also an investment item. Well over half the group drew on this source, for an average of $785,000.

This does not provide a complete picture of income for the million-or-over group, of course. Many of these people invest in tax-exempt municipal bonds in order to minimize the tax bite, and their tax-free interest is not included in this report.

Neither do these figures disclose how an individual gets his hands on the wealth that, wisely invested, will bring in a million dollars or more a year. Some of the 148, no doubt, made their original stake in employment. Others, it's safe to assume, inherited at least part of the holdings that now are keeping them in the million-dollar group.

The same patterns that show up for this topmost bracket are visible in the statistics covering other high-bracket people. The farther down the income scale you go, the less important investment income becomes—and the more significant employment earnings become.

You have to get down in the bracket of $100,000 a year, or less, though, before you find employment earnings accounting for as much as half of income.

Below 1 million dollars. Only 416 people show up in the bracket earning from $500,000 to 1 million dollars. They averaged $670,000 of income each. Federal income taxes slashed that to a bit over $270,000.

Almost the same proportion of these as in the topmost group—7 in 10—were drawing some salary but, surprisingly, their salaries averaged $61,000, nearly half again as large as salary income in the top group. Still, salary was small potatoes to these people.

Almost all were receiving dividends on stock, and most of them—four out of five—had capital-gains income. Their dividends averaged $255,000 each, while their reported capital gains averaged $261,000.

(Continued on page 142)

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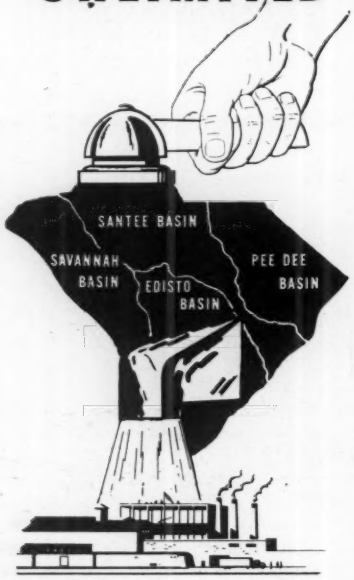

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. . . Heavy losses on "business hobbies"

Most of these people, too, were losers in the business-activity column. Together, 139 of them piled up a loss of nearly 9 million dollars.

Below $500,000. At $100,000 to $500,000 of annual income, employment earnings become more important, accounting for $1 in each $5 received.

The 17,313 people in this bracket had an average income of $160,000—with 3,199 of them getting more than $200,000. After federal income taxes, average income was $77,000.

Seven in 10 of these people, too, were salaried, their pay averaging $50,000. And 2,584 of the individuals in this bracket split 176 millions in business profits, for an average take of $68,000.

Business losers, though, still outnumbered winners. With the attractions of "business hobbies" showing clearly, 2,613 individuals in this group reported a combined loss of 61 million dollars.

Dividends and capital gains supply most of the earnings that kept these people in this high bracket, as the chart shows.

Below $100,000. At the level of $50,000 to $100,000 income are found big numbers of highly successful executives, professional people and self-employed businessmen and partners—some 65,403 individuals altogether.

Average income for this group was just over $66,000 before taxes and just under $39,000 after taxes.

More of these people were business partners than independent businessmen or professionals. And even more were salaried.

Investment income was a big item even at this level, accounting for nearly $1 in each $5 of earnings.

In the incomes below $100,000, though—particularly below $30,000—most people earn nearly all their money in employment and derive little from investment.

What income goes where. You get a somewhat different view if you look at the income levels at which various types of income become significant.

Only above $50,000 of income do dividends become major sources for groups as a whole. Even at $50,000 to $100,000 of income they account for less than $1 in $5.

Yet dividends are not insignificant at many lower income levels. At $9,000 to $10,000, for example, nearly one in three people receive dividends—or did in 1952—with an average of nearly $1,000 apiece. Some of these are retired people living on investments.

Capital-gains income is not so impor-

(Continued on page 143)

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. . . Annuities, pensions small sources of big incomes

tant below $100,000 of income, accounting for only $1 in $16, even at the $50,000-to-$100,000 level.

Income from estates and trusts contributes less than $1 in $10 at the $100,000-to-$500,000 level and very little below that.

Rents and royalties do not account for as much as 4 per cent of any group's income, or interest as much as 3 per cent.

And none of these broad groups derives as much as one half of 1 per cent of taxable income from annuities and pensions.

Summed up, this report of income probably means you'll never make a million through employment. And you'll never keep a million dollars of investment income unless you clear a great deal more than that before taxes.

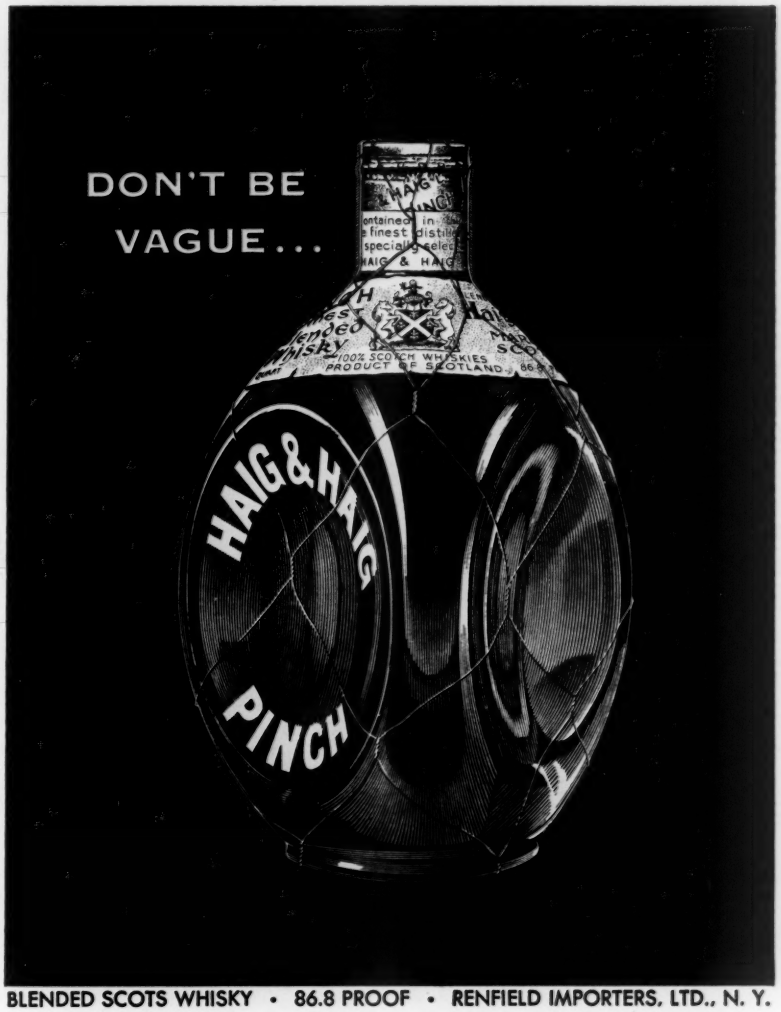
› Controlling inflation. You can see in current events what Secretary of the Treasury George M. Humphrey means when he says that too much federal debt of the short-term variety makes it difficult for Government to control inflation through management of money.

For months now, the Federal Reserve Board has been using its powers to shrink the reserves that determine commercial banks' lending power, trying to make loans harder to get and more expensive. Recently, though, the Treasury found it necessary to borrow money to refinance some of its big short-term debt. To encourage investors—particularly banks—to buy the new Treasury securities, FRB found it expedient to reverse itself briefly, to expand bank reserves.

Result: Easier credit, lower interest rates—just what Government didn't want. The interest rate on Government's own short-term bills, for example, was at 1.627 per cent two weeks ago. Last week it went to 1.440 per cent.

› Small savers. People still consider U. S. savings bonds a good investment. Combined sales of series E and H bonds for April reached 448 million dollars. That made the total for the first four months of 1955 more than 2 billion, 13 per cent above the same period of 1954, the highest in 10 years.

› Dividends. People who own stocks listed on the New York Stock Exchange got a record total of $1,671,249,360 in cash dividends in the first quarter of this year, a 9.4 per cent rise over the first quarter of 1954. It was the thirteenth consecutive year in which first-quarter dividends showed a gain over the previous year.



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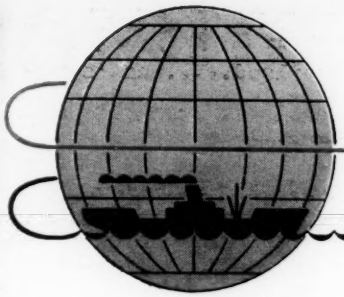

Business Around the World

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›› New spending patterns, developing in Europe, are worth watching.

Germans are buying radios and TV sets in quantity now.....Not just middle-class families.....Workers as well.....Furniture, bicycles and motorcycles also sell well.....With more cycling, demand for camping equipment is rising.

Cut-rate travel, group travel by air or bus attracts many Germans..... Especially to places where money goes further, such as Spain, Austria, Yugoslavia.

Matter of fact, travel in Europe by Europeans looks as if it will smash all records this season.....That's something to think about if you're heading for the less expensive accommodations in Europe.

Mass travel in Europe is related to the new mass buying developing there.

What it all means is this: The European again has savings and is willing to spend them.....Jobs in most places are plentiful, wages are good, there's social security to take care of old age.....Why not spend?

Sounds like the U.S., doesn't it? But it's new for Europe.

›› Some European governments worry about overspending by their people.

Take the British, for example.....The stricter credit terms on installment buying decreed in February have had some effect on sales of furniture and household appliances but little impact on car and motorcycle sales.....British banks don't seem bothered by higher interest rates in the money market..... There's no real shortage of loan money.....Government moves, so far, haven't really reined in popular spending.....But the Conservatives aren't saying anything about it now.....British spending is definitely a postelection problem.

›› The Kremlin has a different way of seeing that the Russian people don't overspend.....It's to take extra cash away by compulsory state loans.....This year the loan, at 8 billion dollars, is twice as big as last year.....Usual spring reductions in prices at state stores are conspicuously missing this year.....Signs point to shortages of Russian consumer goods.

›› Now that Western Germany is safely tucked into the NATO setup, there are beginning to be noises again about economic integration of Western Europe.

The French, especially, show renewed interest in this.....Through the European Coal and Steel Community, the French now have a look at what goes on in German steel and coal.....It might be just as well, the French feel, to enlarge the coal-steel pool and take in transportation and power production.

The Swiss, not members of the coal-steel pool, prick up their ears at sound of a possible integration of European power networks.....In the summer, Swiss power in large amounts is exported to Germany, France and Italy.....In the

(over)

winter, these countries return the favor to snowbound Switzerland.....What's more, along the Swiss borders are joint Swiss-German, Swiss-Italian and Swiss-French power plants obviously with an international business.....Transit lines carry Austrian power across parts of Switzerland to Italy and Germany.

So, any plans for a European electricity pool vitally affect Switzerland. Especially since the best remaining hydroelectric sites are in Switzerland and Austria.....German, French, Italian and Austrian firms already are jointly studying huge power projects for the Austrian Alps.....The Swiss figure some advantageous business could be done by Swiss banks and power-equipment firms, if an integrated European electricity grid were set up.

>> Gen. Juan D. Perón is facing up to the facts of life on oil.....Only 40 per cent of Argentina's oil needs are met by domestic production.....The state oil industry is said to be hampered by lack of modern drilling equipment.

Now Perón has decided to give a long-term contract to Standard Oil of California to explore, develop and exploit a large tract in Patagonia.....This area along the eastern slope of the Andes is believed to be rich in oil..... Calso, through a subsidiary, will get favorable treatment on importing equipment and on taking out profits, after giving the Perón Government a cut.

Letting foreigners into these rich oil lands is quite a decision for Perón to make.....There will be some opposition.....But the Argentines can't go on eating up most of their former big export, meat, and still pay for larger and larger amounts of imported oil.....Their oil-import bill now runs to around 200 million dollars a year.....It will probably be several years before the Calso subsidiary will be producing on a commercial basis.

>> Under the Russian-Argentine trade agreement, Russian oil and oil-field equipment are supposed to be provided.....But oil deliveries are erratic..... None arrived in March, for example.....Oil-field machinery delivered by the Russians turned out to be outdated equipment.....Russian negotiators are in Buenos Aires now to put across a bigger and better trade agreement.

>> The fall-off in dollar earnings from coffee exports continues to build up foreign-exchange problems for Brazil and Colombia.....In both countries there's a strong demand to seek other markets for their coffee.....Eastern Europe, for instance.....People in certain Iron Curtain countries, such as Eastern Germany and Czechoslovakia, were fairly heavy coffee drinkers before the war..... Bartering coffee for Eastern European machinery has a certain amount of appeal for some Brazilians and Colombians unable to buy freely in dollar markets.

>> Japan's new trade agreement with Communist China looks pretty impressive at first glance.....Trade is supposed to balance at 84 million dollars each way in the next 12 months.....But many Japanese products on the Chinese shopping list cannot be shipped under present strategic-export bans.

Japanese officials feel their exporters may actually sell, say, 40 million dollars' worth of goods to mainland China under the agreement.....That would compare with 19 million during 1954 and 4.5 million in 1953.

It may be possible to build up trade with Communist China gradually.....But most big Japanese firms are steering pretty clear of this trade, fearful of getting into trouble with their more important American connections.

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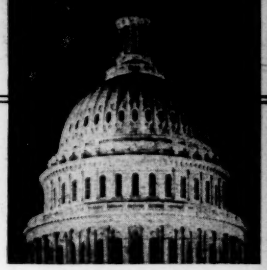


WITHOUT PRINCIPLE

BY DAVID LAWRENCE

AT PARIS

THE CYNICAL QUIP heard here among diplomats is that the West desires peace at any price while the Communists want peace at no price at all.

This is not the only paradox, however. Those in government, here and abroad, who know the inside story of all the futile efforts thus far to obtain from Moscow, through the customary diplomatic channels, some evidence of a sincere desire to negotiate peace must have a troubled conscience as they accept the enemy's propaganda trick—a spectacular meeting with Bulganin—and arouse false hopes everywhere about the prospects for peace.

Why do not men in high places give us the facts, unpleasant though they may be? Why do they unwittingly bolster the prestige of the gangsters in the Kremlin? Do they not realize that the strongest card that can be played today is to tell the masses in Soviet Russia and Red China that the fear they have of a big war is due entirely to the unmoral behavior of their rulers?

The truth is that we are making the mistake of abandoning principle for expediency. It is an error that has caused many an empire—and, indeed, many a republic—since ancient days to be overthrown by the Trojan horse tactics of an unscrupulous enemy.

An age-old mistake that has brought tragedy in democracies has been made by those who obey the impulse to tell the people only what they want to hear and to promise them anything so as to win an election. Today a selfish materialism quenches the spirit that once cried out: "What is a man profited, if he shall gain the whole world, and lose his own soul?"

Temporary equilibrium, of course, has been attained for brief periods in world history by compromising with principle. But such compromises have actually brought on major wars. Have the politicians already forgotten what happened in the '30s? Wasn't Prime Minister Chamberlain telling the people of Britain as he returned in 1938 from his two-power conference "at the summit" with Adolf Hitler that we were about to see "peace in our time"?

Wasn't this fallacy widely accepted by many of us, even as we saw the Nazi war machine growing stronger by the hour?

Millions of men, women and children are dead because of the deception that was Munich.

Forty thousand American boys are dead because of the widely spread deception that all nations were interested with us in collective security and that "to repel aggression" in Korea was to prevent aggression in Indo-China.

Our successive retreats of the last few years have not relaxed tension but have actually increased the strain.

A third world war must be avoided if it is humanly possible to do so, because the destruction of cities by atomic weapons is too horrible to contemplate. But it is precisely because a policy of weakness and craven surrender of basic principles invites attack that those who are crying for peace at any price can turn out to be the very ones who bring on a terrible war.

No such epidemic of jitters seems to have afflicted the Moscow gangsters. They now are forming new alliances of military force in Eastern Europe even as they issue transparently false propaganda about a proposed reduction of armaments. Yet spokesmen for some of the Western Powers call anything the Soviets offer "an advance" or a "sign of change," but unfortunately the Communists of the Far East still hold our airmen and still violate their solemn promises made in the armistice agreement at Panmunjom.

Whence comes this strange delusion that by a Four Power conference good faith can be established where there has been none before? And when will we learn to take our stand on principle and adhere steadfastly to it no matter what the sacrifice? For there is only one way to deter any enemy government from aggression, and that is to persuade the people behind it that their rulers are endangering their lives—and, if this fails, then to make sure our force is adequate to defend ourselves against any attack that may come.

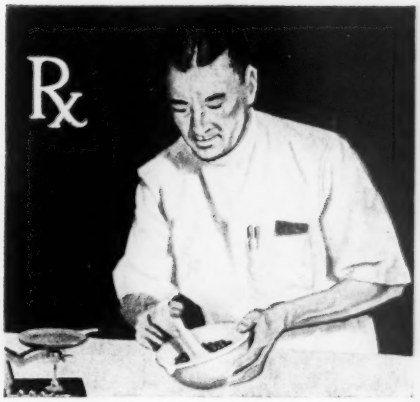
But in Europe, where the shell-shocked populace nervously engages in wishful thinking, political parties quiver with fear of defeat at the polls unless they preach pacifism. Hence the Communists are encouraged to believe they can detach Germany from the West in the next few years, just as they now are neutralizing Austria, and thus eventually cause the collapse of the North Atlantic Treaty Organization on which the whole defense of Western Europe is based.

Governments that wish to preserve freedom must steer by the compass of basic principle. They cannot surrender to the whims of expediency now without risking the surrender of their liberties later on. But today Patrick Henry would be howled down in Europe where, if the political currents are an accurate reflection of the people's thinking, the slogan of the times would be: "Give me bondage rather than death! O, slavery, where is thy sting?"

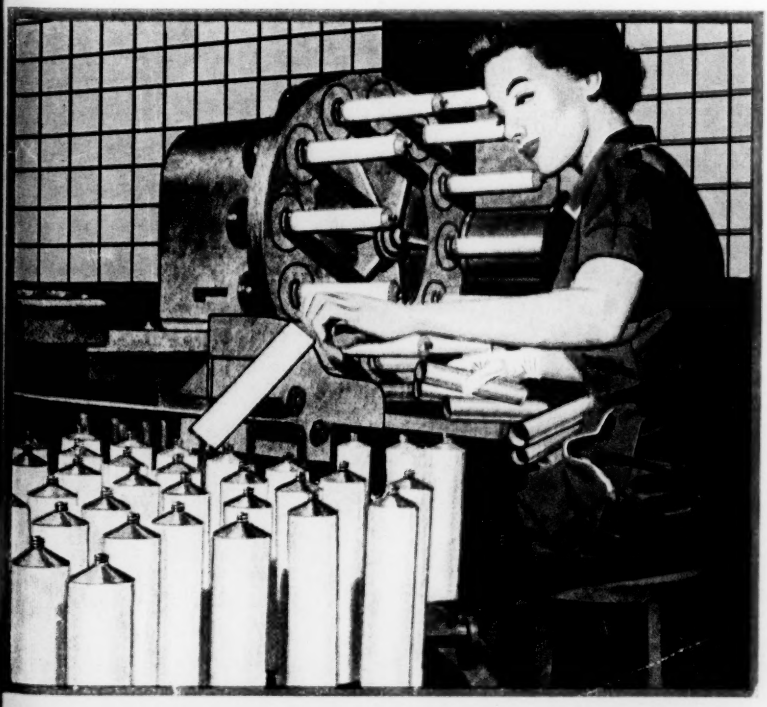
How Important to Your Health is a Tube?

Not as Important as your Physician.
For your doctor is guardian of your health and is dedicated to your well-being. When sickness strikes, he prescribes the remedy and the new drugs in this age of miracles are his allies.

Not as Important as the Laboratory.
For the nation's great pharmaceutical firms, whose research laboratories continue to bring forth astonishing new discoveries, have made mighty contributions to alleviate human suffering.



Nor as Important as your Druggist.
For the pharmacist, charged with the responsibility of compounding or dispensing the doctor's prescription with meticulous care, possesses skills needing long preparation and broad experience.



But Very Important is the metal collapsible tube in which your prescription may reach you, ready for use. That is why so many pharmaceutical firms—Ciba, Dome, Geigy, Hoffmann-La Roche, Johnson & Johnson, Lederle, Merck, National Drug, Pfizer, Schering, Wallace & Tiernan, U. S. Vitamin, White—use Peerless tubes. They know Peerless metal collapsible tubes are made under the most exacting conditions of cleanliness, of metals chemically inert or designed to prevent chemical reaction. They would tell you there are no finer tubes made anywhere in the world.

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